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UNITED STATES POLICY TOWARD IRAN

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UNITED STATES SENATE

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UNITED STATES POLICY TOWARD IRAN

WEDNESDAY, JANUARY 14, 1987

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met at 10:06 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Claiborne Pell (chairman of the committee) presiding.

Present: Senators Pell, Sarbanes, Zorinsky, Kerry, Simon, Adams, Pressler, Murkowski, Trible, and Evans.

The CHAIRMAN. The Committee on Foreign Relations will come to order.

This meeting today is the first in a series of hearings to be held by our committee on American policy toward Iran. The revelations that arms were sold to Iran as part of an arrangement to free hostages and that funds were diverted to the Contras have, we can all agree, produced a very real crisis in President Reagan's administration.

The President's credibility at home and abroad has been very much undermined, and the dealings with Iran have raised questions, disturbing questions, about the administration's respect for law, about its commitment not to bargain with terrorists, and about the effects of its actions on the stability of the gulf region, all of these being policy questions.

The confidence of friends and allies in America's leadership has been shaken, and the administration's ability to advance American interests both in and outside the gulf region may have been severely impaired.

The secret contacts with Iran appear to have involved an arms-for-hostages deal, but the administration does not see it that way. Instead, we are told that the delivery of arms and the near-simultaneous freeing of the hostages were both aspects of or, another way of putting it, were both fallout from a strategic initiative toward Iran.

Our President has said the primary purpose of that initiative was to establish a relationship with so-called moderates who might cooperate with administration efforts to soften Iran's anti-Americanism, end the Iranian support for terrorism, end the Iranian-Iraqi war, and ensure that post-Khomeini Iran does not fall under Soviet influence. The President now allows that mistakes were made, but defends the policy of an opening to Iran.

It is that policy which this committee would examine, while other committees look at questions of improprietary and illegality. We hope to establish whether there really was a strategic initiative toward Iran and, if there was, to assess whether there was ever any reasonable prospect for the success outweighing the risks involved.

In this connection, I am disturbed by a recent New York Times report that CIA Director Bill Casey wrote a memo stating that the strategic initiative was just a cover story masking simply an arms for hostages deal. The administration denies that, but it appears at the very least that the hostage issue became such a fixation that a game plan to achieve any larger objectives never developed.

An opening to Iran is, I believe, a very risky business. Memories of the 1979-80 hostage crisis remain fresh, and I think the administration has underestimated the American dislike, yes, anger, toward Iran because of their insult to us in connection with the hostages and also, and even just as much more so, the murder or killing and involvement with the death of our Marines.

And there exist continuing and profound doubts about the so-called Iranian "moderates" with whom we can hope to deal. Are these people really truly moderates or a cynical clique playing us for suckers, obtaining arms to prosecute the war with Iraq while hoping to use the American connection to influence neighboring governments to accommodate Iran on Iran's terms?

With us today to lead off these hearings is our first witness. We are very lucky to have former Secretary of State Cyrus Vance. Secretary Vance witnessed the outbreak of Iran's revolution and bore the burden of trying to negotiate with a regime bent on humiliating the Congress.

Now, for the second time, an American President is entangled in a debilitating controversy involving Iran. We look forward to hearing Mr. Vance's views on how to deal with Iran, how to restore American credibility on antiterrorist policy, and how to regain the confidence of our friends and allies, who share our stake in Persian Gulf stability.

I would note, too, that we had planned to have former Secretary of State Henry Kissinger testify tomorrow. Dr. Kissinger was the last senior official to conduct secret negotiations with a former adversary. In his case it was China.

His testimony would therefore have been a very good complement to Secretary Vance's testimony today. Unfortunately, after initially accepting our invitation, Dr. Kissinger informed us that he preferred not to testify.

Now we come to Secretary Vance. It is a particular personal pleasure to see him here. We have been friends for almost 50 years, and our families for more than 100. So welcome and we look forward to hearing from you.

We have no Republican to make an opening statement, so we will just get underway.

STATEMENT OF THE HONORABLE CYRUS VANCE, FORMER SECRETARY OF STATE

Mr. Vance. Thank you very much, Mr. Chairman.

At the chairman's invitation, I will be addressing three principal questions raised by recent developments in United States relations with Iran:

First, what is an appropriate United States posture toward Iran? Where, if anywhere, do arms sales fit in our current relationship?

Second, what are the strategic and foreign policy consequences of the administration's recent arms sales to Iran, including the consequences of the diversion to the Contras of premiums realized from those sales?

Third, what is the soundest system for making foreign and national security policy in the executive branch? More specifically, what are the appropriate and inappropriate roles for the President's National Security Adviser and the National Security Council staff?

Let me take each of these questions in turn. First, posture toward Iran.

Iran is a strategically important country for the combined reasons that it can play a critical role in stabilizing or destabilizing the oil rich and that its own instability could draw Soviet troops or "volunteers" across the Soviet-Iranian border to those vital oil reserves.

The scenario common to Middle East contingency planning over the years has thrust upon us the difficult question of how the United States would respond to a Soviet move into an unstable Iran. It was this concern after the Iranian revolution and the Soviet invasion of Afghanistan in December 1979 that led President Carter to warn in his State of the Union address on January 23, 1980:

> Any attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force.

That policy was essentially reaffirmed by the Reagan administration. In short, this possible threat to vital interests of the Western alliance and Japan, along with the danger of an Arab-Israeli war, makes developments in the area of Iran one of two potential triggers in the Middle East for a nuclear confrontation between the Soviet Union and the United States.

Since the fall of the Shah in early 1979, Iran, under the leadership of Ayatollah Khomeini, has become the source of another kind of threat to Western interests in the Middle East. The combination of Iran's religious zeal and determination to undermine governments pursuing orderly change has raised the specter of a fundamental shift in the political coloration of the Middle East as one generation gives way to another.

While the immediacy of that possibility seems less than it did in late 1979 and early 1980, the acts of violence nurtured by Iran and the continuing appeal of religious extremism to neighboring politicized groups in the region keep the threat alive and serious.

In sum, Iran plays a critical role in an important region, and the United States has a continuing interest in keeping the door open to some kind of working relationship. The issue is not whether the United States has a strategic interest in again developing a working relationship with this important country.

The issue is what kind of relationship is possible with Iran under its present leadership and what is an appropriate way to proceed in exploring signs of Iranian interest in establishing such a relationship.

A word of perspective is useful at this point. The United States broke relations with Iran over the Iranian government's open support of the takeover of our Embassy in Tehran in November 1979 and the holding of United States officials as hostages.

We broke relations with Iran when the government of Iran acted in ways totally contrary to acceptable international norms of behavior. Against that background, it is reasonable to assume that any dialog with Iranian officials about resuming a relationship should make the point that it will be impossible to establish any normal relationship until Iran has demonstrated that it no longer supports or engages in the vicious and intolerable practices that led to that break.

Since the evidence demonstrates that Iran is currently closely connected with those holding American hostages in Lebanon and that it supported those who bombed the United States Embassy there on two occasions, Iran manifestly fails to meet the conditions for a normal relationship.

Under these circumstances, the sale of arms to Iran for hostages was naive, wrong, and severely damaging to our national interests and credibility. It was wrong for two major reasons:

First, arms sales are normally part of a close relationship in which two parties share common security and other interests. That is patently not the case with today's Iran.

Second, adding weapons to Iran's arsenal in the midst of a bloody war in which we have publicly stated we will not take sides, and while Iran still supports those who hold Americans and others hostage in Lebanon, is to make hostage taking profitable. To do so without any requirement for an improved strategic relationship rewards hostage taking, without ever a supportable rationalization of a larger strategic gain.

Moreover, to announce one policy to the world, as we have done, to pressure other nations to follow us, and then to covertly execute a totally contradictory policy is both unsound in principle and damaging to our national interests. Such duplicitous conduct has upset and angered our European allies and many of our friends in the Middle East who have relied upon our publicly stated position on arms sales to Iran and terrorism.

What then is an appropriate United States posture toward Iran? We should stand ready to talk with responsible Iranian representatives. In any such discussion, we should make clear our interest in an Iran free of Soviet domination, our acceptance of the present regime in Iran as a reality, and our support for the territorial integrity of the country.

But we must insist that rebuilding a viable relationship will depend on Iran's respect for the sovereignty of other governments and the laws governing international relations. Only in the future when a new relationship is clearly established should we consider arms sales, and even then before making any sales we should weigh carefully the potential effects of such action on the regional balance of power.

Turning now to the consequences of arms sales, the recent sale of arms to Iran and apparent diversion of funds to the Contras has produced extremely negative consequences in at least five areas:

First, the sale of arms to Iran has undercut a sound policy of working with allies and others to stem the flow of arms to Iran, in the hope that this might encourage an Iranian decision to end the war with Iraq. That policy was being vigorously pursued, with some effect.

Even if it did not create an airtight embargo on the sale of arms, it did reduce the flow and, perhaps more importantly, enhanced Iran's sense of isolation. United States sales starting in late 1985 gave Iran both a psychological boost and relief from that isolation while dealing a psychological blow to Iraq.

Whether or not United States arms were decisive on the battlefield, our capacity to resume efforts to reimpose the systematic pressure on Iran has been severely impaired.

Second, the sale of arms also undercuts a sound policy of not putting new resources in the hands of hostage takers as the price for the release of American hostages. Whatever the original intent of some individuals in the Reagan administration may have been, these actions resulted in an almost total preoccupation with trading arms for hostages. Not only was the principle of such a trade reckless; the act of turning over arms to Iran before all hostages were freed was naive in the extreme.

Because I know the question will be raised, let me set aside any thought of drawing an analogy with the Algiers Accords of January 1981 that freed all American hostages held by the Iranian government. The money released to Iran under the accords was a portion of Iran's own assets that we had frozen when the hostages were taken. The remainder was put into an account under control of an international tribunal in The Hague for awards in settlement of American claims against Iran. No arms were involved. In addition, an elaborate mechanism was established through Algeria and the Bank of England so that none of Iran's frozen assets were returned to Iranian control until the freedom of all the hostages was certified by the Algerian Government. The agreement was carefully negotiated in the public eye and designed to stand up in the courts. Moreover, the agreement contained safeguards which assured that the objective was achieved.

Third, the arms-for-hostages deal has plainly undercut the credibility of our highest officials who told friends and allies we were doing one thing while we were doing another. As one recent official visitor from the Middle East said last month: "You will never fully recover your credibility." Actually, some of the damage can be repaired by improved performance in the future, but doubts will linger for at least the remaining years of this administration.

Fourth, beyond questions of credibility, on the heels of the confusion over what commitments were made during the Soviet-United States summit at Reykjavik, this episode raises the issue of policymaking competence and coherence. Much attention has been given to the appropriate role of the NSAC staff, and I shall come to this in a moment—but the larger issue is the need for a coherent vision of policy objectives and a strategy for achieving them. The picture the world now has of a nuclear superpower in disarray at the highest policy levels does grave damage to the stature of the United States as a leader in the free world.

Such damage is not measurable, but cumulatively it is corrosive. Recent events demonstrate what has been apparent since 1981, that the foreign policy staff in the White House has been the weakest since the NSC system took its present form in 1961.

Fifth, the Iranian arms deal and illegal contra aid constitute poor policy for the simple reason that these actions were carried out in contravention of the letter and spirit of congressional legislation. The sale of arms to Iran and reported approval of Israeli shipments of United States-supplied arms to Iran, without notice to Congress either prior to or promptly after the shipments took place, appear to have violated several Federal statutes.

Among these are the National Security Act of 1947, the Foreign Assistance Act, the Export Administration Act, and possibly the Arms Export Control Act. The alleged diversion of funds to the Contras violated the Boland amendment, as well as the congressional notification provisions of the statutes just mentioned.

That brings us to the question of what policymaking machinery is best suited to meeting the needs of the President while respecting the concerns, judgments, and aspirations of the American people as represented through the Congress.

THE NSC SYSTEM

I would like to make three points about the National Security Council system that was established by an act of Congress in 1961.

First and most important, the NSC was not and is not intended to make policy or to conduct operations. Its function is to advise the President and to assist him in the coordination and integration of domestic, foreign, and military policies relating to national security.

The President himself retains the constitutional responsibility for setting policy directions. Further, the NSC and its staff are not intended to execute policy. That is the responsibility of Cabinet officers and agency heads, appointed with the advice and consent of the Senate, and managing departments and programs under congressional authorization and appropriation.

The President is entitled to the advice of a small personal staff that shares the Presidential perspective. And he will organize his advisers in ways that best serve his own methods of studying and deciding. That is why the specific organization of the NSC staff and its relationship to the Departments is a legitimate subject for adjustment as administrations change or learn from experience.

On the other hand, managing the foreign relations of a great Republic is not a question of making a few decisions or taking a few actions. It is a continuous process of creatively managing, sustaining, and building over time a broad range of relationship with other nations. To manage such relationships requires the President to serve as the Chief Executive of a large team. His job is to lead its members, to inspire them, to be involved with them, and to give them a clear sense of purpose and direction.

A small NSC staff like that envisaged by the drafters of the National Security Act can only advise and assist the Chief Executive.

When it tries to run operations itself, it enters into an area where it is unqualified to act and puts at risk the broad fabric of a coherent Presidential policy. At a minimum, such operations undermine, rather than enhance, a President's credibility as Chief Executive.

Moreover, such activities overstep the statutory authorization of the NSC to "advise the President with respect to the integration of domestic, foreign, and military policies relating to the national security." In short, involving the NSC in operations is not only unsound and contrary to its statutory mandate, but also an almost certain recipe for diplomatic and political disaster.

Second, the role of the NSC staff is a coordinating one. Its primary function is to assure that the President has available to him all reasonable options and all reasonable viewpoints. The function of the staff when it works well is to make available to the President the best thinking on a given problem.

That means reaching into the depths of the Government and the private sector for knowledge and analysis. Having the advantage of Presidential perspective, this staff can bring together elements of the executive branch that might not normally be in touch and might even be at odds with each other.

The function of coordination when performed at its best brings together all relevant perspectives—public and expert, political and technical, financial, and legal. It may also usefully coordinate operations in a crisis by gathering together around the table those who need to work together. But it is not a command center.

In the Arab-Israeli peace process, particularly in the preparations for Camp David, the NSC system worked extremely well, providing the framework for bringing together in a close and harmonious working relationship those who were intensively involved in the negotiations, those whose intelligence specialties contributed an analytical base, those who understood both the political and the security interests of the United States and of the parties in the conflict, and those who understood how to develop public understanding in the U.S. body politic.

In its coordinating role, the NSC served the President well in carrying out the full range of his responsibilities from diplomat and mediator to political leader and peacemaker.

Third and finally, the National Security Council and its staff are only parts of a policymaking system designed to bring broadly based and fully coordinated advice to the President. Policy is not just a decision. Policy is a sense of direction developed and shared by the President and his advisers as they work through a problem together.

Policy is never rigidly fixed, but is always evolving with changing circumstances. The NSC system when it is working well provides a familiar framework and a set of working habits that bring together those who must work in concert around the President, and it also brings together at the working and sub-Cabinet levels those who support the immediate circle of Presidential advisers.

In sum, the NSC system should be an instrument of the President as he sets a course for the Nation, leads his people, and serves as Chief Executive under the Constitution.

And now a final word. The sad lessons to be learned from the recent arms sales to Iran and the apparent diversion of funds to the Contras in violation of law reach far beyond the present moment. To be blunt, this great Nation, if it is to remain worthy of global leadership, cannot again manage its foreign relations as an amateur.

It is now 40 years since we assumed a sustained global role. It is time that political candidates and elected and appointed officials commit themselves to the highest degree of thoughtful and careful direction of our Nation's course, guided neither by political whim nor the temptation of the quick-fix and short-term political gain, but guided rather by the long term interests of a great Nation determined to stay the course of creative world leadership for years to come.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Secretary. I would suggest that we limit ourselves to a 10-minute time. The yellow light will go on after 9 minutes, and a note will be passed, and with the red light another note will be passed. I would give myself the first 10 minutes.

I was struck, in your last paragraph, where you mentioned the sad lessons to be learned from this affair. It reminds me of Santa Ana's expression, "Those who forget the lessons of history are condemned to repeat them."

So, we hope very much indeed that that observation is followed. I was wondering, Mr. Secretary, if in your view this was really a mistake in execution, this whole affair, or was it more a mistake in basic policy; in other words, if the policy was the correct one.

We wonder whether it is sometimes advisable to have a secret policy, or do you want always open policies with secret means of achieving them. I would be very interested in hearing your thoughts on this.

Mr. VANCE. At heart, it is a mistake of policy. As I tried to make clear, I believe that with the existing set of circumstances that surrounds our relationship with Iran, it was wrong and indeed foolhardy to talk about providing arms to Iran. Second, it was contrary to our stated policy and therefore has created major problems with our allies and friends whom we were urging to follow our stated policy while we actually were conducting another covert policy which was 180 degrees away from our stated policy.

In addition, I think it was a mistake of policy not to follow the requirements of the legislation passed by the Congress with respect to notification of the Congress in the case of arms sales. Further, in my own judgment there appears to have been a violation of law in providing arms to the Contras, or in providing the money to buy those arms through the Swiss bank accounts.

These are clearly misjudgments of policy. There were, in addition, factors that compounded the damage of bad policy to be found in the execution of that policy when the staff of the NSC was permitted to get into operations, but the basic fault was a fault of policy.

The CHAIRMAN. During your watch at the White House, do you recall any incident of the NSC being used in an operational way?

Mr. VANCE. Not really anything that even approaches this kind of thing. There were on one or two occasions phone calls made by the NSC staff to the former Ambassador of Iran who was in

Tehran at that point. There were only a few of those, and those were stopped.

The CHAIRMAN. Looking ahead, in trying to get this sad affair behind us, what do you think should be done now in dealing with Iran? Do you have any thoughts there, and how could we help restore the credibility of our Nation?

Mr. VANCE. In dealing with Iran?

The CHAIRMAN. Yes, in dealing with Iran.

Mr. VANCE. As I said a moment ago, I think we must always be prepared to sit down and talk with representatives of the Iranian government and hear what they have to say. We, however, should not be prepared to do anything such as the providing of arms at this point in time.

They are acting in ways which are totally contrary to international norms of behavior and in ways which are harmful to the United States. So, there is no basis for entering into any normal type relationship.

If they want to talk about how they can move from where they are to a more normal relationship, of course we ought to listen to them because they are an important country, and we hope that in the end they will come back into the family of nations in a way that would permit the reestablishment of normal relations, and we ought to keep the door open to that.

The CHAIRMAN. You do not think that the humiliation they gave us in connection with the hostages and the killing of our Marines are still so fresh in our minds that the American public would find it hard to develop a more normal relationship?

Mr. VANCE. I think it will be. It will not come for a long while in my judgment, but that does not mean that we could not talk to them if they would indicate that they would seriously like to talk about how over the long run a more normal relationship might be reestablished.

The CHAIRMAN. Do you have any suggestions as to what the administration could best do to restore its credibility with the other countries, with our allies?

Mr. VANCE. It has to demonstrate by its actions that it will adhere to its stated policy.

The CHAIRMAN. Thank you. Thank you very much, Mr. Secretary.

The Senator from Alaska.

Senator MURKOWSKI. Thank you. I would defer to Senator Trible, who has been here longer. I would like to go after the rotation, though, Mr. Chairman.

The CHAIRMAN. Fine.

Senator TRIBLE. You are a great American. I appreciate that, Senator Murkowski.

Senator MURKOWSKI. Charity begins at home.

Senator TRIBLE. Thank you, Senator Murkowski.

Mr. Secretary, good morning. It seems that the problems of Iran have plagued several American Presidents. It was a preeminent concern during the Carter years and caused America substantial problems, President Carter substantial problems, and regrettably it continues to cause us concerns.

To that end it seems to me that the present problems stem, at least in part, from NSC operations which not only barred State Department involvement but contradicted the major policies of the Secretary of State.

In your own book, "Hard Choices," you describe similar problems that you encountered with the NSC such as Mr. Brzezinski's private meetings with Iranian officials, his opening of a private channel to Iran, his advocacy of a military coup there.

Is this sort of rivalry between State and NSC inevitable? What can be done to eliminate these kinds of problems or minimize their negative effects?

Mr. VANCE. Let me correct what you said. It was not a meeting with Iranian officials. It was a conversation, conversations over the phone, that I referred to when the chairman asked me a question.

Clearly, differences of turf and of substance between the State Department and the NSC are damaging if they are permitted to continue, and particularly if they become the subject of public discussion. I think that this can be prevented or at least very substantially contained if the President makes it very clear what he expects of the Secretary of State and the members of his department on the one hand, and the NSC advisor and his staff on the other.

If it is clear that the NSC staff should not become involved in operations, that that is not an area into which they may trespass, if it is made clear that differences between the Department of State and the NSC staff are to be aired, fully discussed, and resolved by the President and not in the public—such a process would be a major help in preventing these kinds of things from turning into the problems that they have been in the past.

I would stress again that the function of the NSC staff is an advisory and a coordinating one and it should stick to its knitting on that, and the President should make that very, very clear; namely, that he expects that to be done and insists that it be carried out.

If it ends up that either the Secretary of State or the NSC advisor act contrary to the directions of the President and continue to air their differences in public or by leaks, then he ought to fire either one or both of them.

Senator TRIBLE. Mr. Secretary, it seems that the question of sending arms to Iran did not originate in this administration but was at least debated and considered by the Carter administration as well. Again, these problems seem to be reoccurring.

I would point to a book by Gary Sick, an NSC staff member, during the Carter years, "All Fall Down," in which he says on page 370 that, "On October 11, 1980, after nearly 2 hours of discussion, a draft message was prepared for President Carter's approval offering a military package of about $150 million including aircraft spares that would be made available upon release of the hostages."

Then in the next paragraph he goes on to say, "I briefed Brzezinski on the morning's discussions and then transmitted the message with maximum security to Camp David. The President approved the draft and it was sent out that evening."

I am not suggesting those arms did in fact arrive in Iran, but that decision was made by President Carter, to send arms to Iran at a time that Iran held American hostages. Now, I raise that not to criticize Carter or to defend Reagan. It is simply to point out that these are difficult issues and they have been debated and discussed by several administrations.

My question is really this: In your view, should the U.S. Government make offers or concessions of any kind to those who hold American hostages or to those third parties who can help effect their release? Are there circumstances in which it makes sense to deal with terrorists?

Mr. VANCE. With respect to the portion that you read from Mr. Sick's book, I was not in the Government at that time. I had resigned. I do not know what the facts actually were.

It had been my understanding from what I read and heard thereafter that the question of providing some arms if the hostages, all of them, were released, was raised by a man called Tabataba'i in discussions in Germany and was told that this would not be a helpful thing to discuss and it was never thereafter discussed and nothing took place.

Now, let me then come back to your question, which again was what?

Senator TRIBLE. The question was, Under what facts and circumstances should we do business with those people who hold American hostages or those third parties who can influence these transactions?

Mr. VANCE. Insofar as providing arms to people who are holding hostages, my own view is, we should never do that.

Senator TRIBLE. How about negotiations, discussions?

Mr. VANCE. Negotiations and discussions, yes. I think you are going to have to have negotiations and discussions. And that has been the case with many different countries including Israel which has a very strong policy with respect to terrorism. But even they have had discussions which have led to the release of some of their hostages in return for people that the Israelis had captured in battle.

So, I would not say that there are no circumstances under which there should be discussions, but I feel giving arms to people who are hostage takers is so offensive to me it would preclude my ever being in favor of that being done.

Senator TRIBLE. If I still have time, Mr. Chairman, I would like to invite the witness to talk a bit about his views of the idea that there are moderate elements in the Iranian government or that we can do business with the Iranian government. Again, this was a theme much debated and discussed during your on time in Washington.

The American Embassy in Iran was seized twice in 1979 and in spite of that instability the Embassy size was increased. Private corporations were encouraged to return to Iran. There was the view that perhaps we could do business with this new government and that there were some moderate elements.

Again, this seems to be a point in tension. It is very difficult for me to find pragmatic, moderate elements in the Iranian structure from where I sit, but since this is a theme debated and discussed and considered by you when you sat in a position of power, and today, could you share your thoughts and ideas about that.

Mr. VANCE. Yes. I would be very happy to. First, let me correct your statement, if I might. After the Embassy was taken, there were no steps urging people, corporations, and the like, to stay nor was the staff increased. Indeed, well before that, the staff was reduced from over 1,000 to some 60.

We also discussed whether we should take everybody out and decided that it was such an important area of the world that we should keep a small staff there, and therefore retained some 60 people.

Senator TRIBLE. Mr. Secretary, I will flesh that out for the record, but I will tell you that the Embassy staff in Tehran was allowed to increase to 70, and at least 1 State Department official was publicly encouraging United States companies to return to Iran and some officials even planned the return of Embassy dependents.

Now, I say that only to flesh out the record. You have a recollection, and I will submit the facts and circumstances.

Mr. VANCE. Yes, let me flesh it out.

Senator TRIBLE. But I am more particularly concerned about the real questions that I posed. You, however, have unlimited time, sir, and my time has expired. So, you have the floor.

Mr. VANCE. And your question again, now is, please?

Senator TRIBLE. The question was, there has been this obvious tension in the debates within the Carter administration and the Reagan administration over our capacity to do business with the Iranian government. Are there moderate elements, are there pragmatists with which we can do business?

Obviously, there were those during the Carter years that felt that was the case. Obviously, there were those during the Reagan years that helped shape some of these decisions. What is your view?

Mr. VANCE. In the true sense of moderates, moderates who have any chance to get actions taken, I doubt that there are any. If there are some, they are less than a handful.

Senator TRIBLE. Or long gone.

Mr. VANCE. Or long gone, absolutely. So, I think to describe them as moderates is incorrect. Anything that gets done in Iran now gets done through the government and it goes all the way to the top.

In the dealings that took place in 1985 and 1986, those dealings ended up with discussions being had with the most senior officials in the government, Rafsanjani, the speaker of the house, very important; the prime minister, the foreign minister, and indeed, I am told that the Ayatollah Khomeini was informed at all times.

So, certainly you were not dealing with moderates, and I think to suggest that somehow there were some moderates who were going to take a position and be able to carry that position out, if it was different than that from the government, is nonsense.

Senator TRIBLE. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Trible.

Senator Sarbanes.

Senator SARBANES. Thank you, Mr. Chairman.

Mr. Secretary, we welcome you to the committee. I want to pursue this question of the so-called moderates for a moment.

First of all, as I understand your answer now, there really was not, as you perceive it, a moderate element to be dealt with in Iran in the current circumstances, is that correct?

Mr. **Vance**. My view is that there are some who are more pragmatic than others, but none of them are real moderates.

Senator **Sarbanes**. Second, what reason would we have to think that in the current climate in Iran, identification with the United States would strengthen rather than weaken the position of such an element? I mean, shouldn't a careful analysis of that situation lead us to conclude that if, in fact, there are elements there that can be identified with the United States, that that is probably going to undercut their position rather than enhance it?

Mr. **Vance**. I believe that what you have stated is correct, that it would not help them. It would hurt them and might severely damage them to the extent of putting their lives in jeopardy.

Senator **Sarbanes**. So, in a sense, it is a faulty analysis to think that an identification with the United States is going to enhance some element within Iran currently in a power struggle, given the circumstances in that country.

Mr. **Vance**. Yes, that is a faulty analysis.

Senator **Sarbanes**. Now, it has also been asserted that we needed to have an opening because of the geostrategic importance of Iran, and I take it if fleshed out, that probably would be most clearly defined in terms of the Soviet Union.

What actions taken by the Khomeini regime would lead to an increase in concern on our part as to Soviet penetration into Iran? Or is it not actually the case that while that regime has been extremely difficult toward us, that it has also taken an attitude with respect to the Soviet Union that has not opened up Iran for Soviet penetration?

Mr. **Vance**. The Iranians did ban the Tudeh Party. There obviously have been strained relationships with the Soviet Union—between the two countries, but I do not think, there is any evidence certainly that I know of, which indicates that a Soviet relationship does not continue to be a troubling matter for the United States.

Indeed, more recently, after the banning of the Tudeh Party, there have been indications that there has been some warming of the Iranian-Soviet relationship, so I do not see any real basis to think that that relationship is one which should not remain a matter of general concern and one which we should watch carefully.

Senator **Sarbanes**. What is your view about the use of private individuals in pursuit of sensitive foreign policy objectives, which seems to have taken place here?

Mr. **Vance**. I am very glad you raised that, because I think what I would call the privatization of foreign policy is very dangerous because it permits the making and execution of foreign policy to get out of the hands of our Government and that is a very dangerous thing to do.

I am totally opposed to anything along those lines.

Senator **Sarbanes**. So, you would say a situation in which you can have people who are consultants, holding themselves out as speaking for the U.S. Government, or private businessmen engaged in transactions in which they stand to make a very large profit, but asserting that they are doing it at the behest of the U.S. Government or in furtherance of the Government's policy, creates a chaos in the making of policy? How would people know that the signal is really coming from the highest levels of the Government of the United States under those circumstances, and is not simply the self-serving declaration of a private individual who stands to benefit from having his representations taken at face value?

Mr. VANCE. There is a grave danger that they will not know, and that private individuals will merely act on their own. I suppose that a business person who was approached could seek to check what he has been told by going to the White House or to the State Department and asking, "Are you indeed asking us to do this."

Even if they were told, "Yes, we are asking you to do this," providing funds such as was done with respect to the Contras, it seems to me, was exceeding any allowable bounds and was an unwise and misguided thing to do.

Senator SARBANES. It has been asserted by some that arms transfers are the only negotiable currency in an international situation of this sort, and that leads to a somewhat broader question that I want to put, and that is the extent to which in fact the transfer of arms has become the lead dimension of establishing a relationship.

In other words, that is the first thing to be put up front. That is what happened here. We were apparently going to show our interest in improving the relationship by providing arms at a time when, of course, our stated public position was very much to the contrary.

But generally speaking, do you perceive that the transfer of arms has become the lead dimension in underpinning a relationship, and if so, what is your view of that?

Mr. VANCE. I think it has been increasingly raised as a condition of improving relationships. I think that is something that we should not accept or fall for, and that we should eschew it.

Senator SARBANES. On the National Security Council and its potential rivalry with the Department, I take that if limited to a proper coordinating role, the potential conflict with the Departments would be significantly diminished; would that be the case?

Mr. VANCE. That's correct.

Senator SARBANES. Can you cite historically when it was working in that fashion?

Mr. VANCE. I think it worked in that fashion in the Middle East, as I indicated in my statement. I think that was a perfect example of really superb coordination between the NSC and the State Department and other agencies of the Government, including the intelligence community, in putting together the necessary advice and assistance for the President in negotiating the agreement at Camp David, and working out, in addition to that, the Egyptian-Israeli peace treaty.

Senator SARBANES. And I see my time's almost up. I'd like to get finally your general views on what our policy ought to be with respect to the Iran-Iraq war?

Mr. VANCE. I believe that our policy should be one of not taking sides. We should adhere to what we previously said our policy was—not taking sides.

We should not try to get involved on either the Iraqi side or the Iranian side. And if we slip off of that, then I think we are going to get ourselves in deep trouble.

If we can be helpful in any way in working with others as mediators to bring the war to an end, fine, we ought to get ourselves involved in that in whatever is an appropriate way.

Senator SARBANES. Would you include in your view of not taking sides, taking an active position in seeking to check and discourage and bring to a halt the flow of arms to both sides in that conflict?

Mr. VANCE. Yes, I think that we ought to play such a role. That's been our position. And I think we ought to tell people that's what we think is a proper way to act, and would hope that they would follow that course, which we are not only announcing but are implementing.

Senator SARBANES. Thank you.

The CHAIRMAN. Senator Pressler.

Senator PRESSLER. I would yield to Senator Murkowski.

The CHAIRMAN. Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman.

Mr. Vance, in assessing the current threat in the region as a consequence of the Iranian-Iraqi war, and recognizing the potential threat to the Arab states such as Kuwait, the Saudis, and others, and your statement a few minutes ago about not getting involved, indeed, don't you feel there's a potential threat to the Arab states if the Iranian conflict proceeds to a point where the Iraqis are conquered?

And isn't it likely that the Iranian momentum would threaten the Arab states?

Mr. VANCE. There is a danger in that area. I think that the balance is such between the two that neither side has the power nor will have the power to win, and eventually, it will have to be resolved by nonmilitary means.

However, in the meantime, it is a bloody, bloody war, and tens and twenties of thousands are being killed.

We see right now today one of the bloodiest phases of the war taking place.

Senator MURKOWSKI. And if that should escalate, my question is, At what point would you suggest that this threat might become very real? And are you suggesting that we should just watch the threat increase, if indeed, it gets to that point, and not intervene in any manner?

Mr. VANCE. At this point I see no need for us to do anything other than not assisting either side. I cannot say that this would never be the case.

Senator MURKOWSKI. All right, let's hypothetically assume that there is an escalation, and it does appear that it would threaten the more conservative Arab states.

Would you suggest that we take any action, and if so, what kind of action might you suggest?

Mr. VANCE. All I would say at this point is that we would have to follow that with the greatest care, and weigh very carefully the consequences of changing our current position.

As I said to you, I would not say to you that we should never change our position. As circumstances change, it may be necessary to change our position.

But at this point, I think there is no need for it and it would be a mistake to do so.

Senator MURKOWSKI. Well, I think you have a unique background, and certainly your experiences in your area of responsibility make some reference to history repeating itself. I don't mean to imply that the scenario with regard to the Mideast is the same as it was when you were the Secretary.

But I'm sure that many of the pressures you observed on President Carter were also applicable on President Reagan.

My reference is specific in the sense of observing, at the time the 50-plus hostages were being held in the U.S. Embassy, the pressures on the President from the families, the relatives, the public, to do something; your frustration; your efforts to negotiate for a period of time, with I guess history will determine some measure of success.

But the fact is, the military effort failed. You opposed that. You submitted your resignation. But it wasn't that you weren't attempting very actively to relieve the situation.

We had a situation of a similar nature in the sense that here were hostages; they were being held; the pressures of the families on the President—I'm talking about the current situation—were to get some relief. Find a way to resolve this problem.

So these are the pressures that are brought about. They could be duplicated with the next President, whoever he might be.

Mr. VANCE. I agree. I have no difference with you.

Senator MURKOWSKI. So while it's easy to criticize action being taken, the alternatives, really, if negotiations are unsuccessful, involve a military risk. These we've seen tried, as history has evidenced, have been unsuccessful.

Is it not quite natural that you look for other alternatives? And the other alternatives here obviously were: Is it in our interest to attempt to establish a relationship with a potential successor?

This is something that I assume that you would have considered if you'd had the opportunity or if it had presented itself back in 1979.

Mr. VANCE. Seeking to find an alternative is certainly something that the President and the Secretary of State have got to continue to do. They cannot just sit by and not try to do anything to get hostages released.

The grave mistake that was made here, in my judgment, was to use arms as a vehicle for trying to get the hostages out.

That I believe is a recipe for failure and disaster.

What's more, I think that even if you were going to go past that and say, "Well, maybe a few arms might be able to do it," as a straight practical matter you should never agree that you are going to give your quid pro quo until you have back in your hands all the hostages.

It is naive beyond measure to think that you can give them something, and that they're then going to carry out their part of the bargain.

It simply didn't happen here, and I don't think it will.

Senator MURKOWSKI. Well, there's some confusion over that point. There are the three hostages that were released during the timeframe——

Mr. VANCE. But Mr. Buckley was probably the principal concern. And Mr. Buckley was tortured and killed. We continued to negotiate, not knowing then that Buckley was dead, when in fact he was already dead.

Senator MURKOWSKI. Well, I know. But my point is the negotiations resulted, I think it's fair to say, in three hostages being released.

Mr. VANCE. Yes.

Senator MURKOWSKI. So that's a measure of success.

Mr. VANCE. We paid a very big price for it.

Senator MURKOWSKI. I beg your pardon?

Mr. VANCE. We paid a very big price. And one of the hostages has already said that if he'd have known that the bargain was as it was, that he would have rather stayed than come out.

Senator MURKOWSKI. Well, on the other hand, if the other three had been released, then there's a measure of success. And the question of how it's done is obviously something that concerns all the American people and the Congress.

But I think the motivation is an effort to get these hostages released; there's no question about that.

Mr. VANCE. I understand the agony of any President having hostages——

Senator MURKOWSKI. Now, you made references to violations of law. And I'm assuming you were referring to timely notification to the oversight committee.

Now, having been in the position of having to handle delicate negotiations of this type, is it not conceivable that indeed the explanation offered by the administration that the process had not been completed, the process of trying to negotiate release of the hostages, and indeed, even though it was 7 to 9 months, whatever it might have been, three had been released; there were still reasons to believe that the other three might be released.

And that the reason for non-notification was that if notification had been given to the oversight committees, they feared that those involved in the release of the hostages might be apprehended and even worse, and the intention was to provide notification after the effort had been completed one way or another.

Now, is that a practical explanation in your opinion, based on your experience and the positions you've had?

Mr. VANCE. It is an explanation. I think it is an unsound explanation. I found that during the Iranian crisis that I and my deputy, Warren Christopher, could meet almost every day with the leadership of the Congress on both sides of the aisle and discuss with them everything that was going on.

And there were no leaks.

Senator MURKOWSKI. Well, there was one exception to that.

Mr. VANCE. There was one exception, and that was a misunderstanding on the part of the Speaker as to whether certain information was classified or not.

But I found that you can trust the leadership of the Congress. Indeed, in some cases, I met with all of the Senators who could come, and told them anything that they asked.

I do believe there was one occasion on which I said, "I'm sorry, I don't want to answer that question. I will, however, answer the question in my meeting with the leadership, but I think in such a large group as this, it probably would not be wise to do so."

I see no reason in the world why we should not trust the leadership of the Congress.

Senator MURKOWSKI. One last question, Mr. Chairman.

Based on your experience of having gone through more than half a year of negotiating back in 1979, and your observations of the military effort, would you have done anything different then than what you did?

You made a legitimate effort in the negotiation process. You didn't agree with the military, so you resigned.

But is there some other thing, based on your review of the situation or your experience, that you would have done differently?

Mr. VANCE. No, I don't think there is. The only question I've had in my mind is whether or not we should have made some effort to play down, if possible—and I'm not sure it would be possible—the amount of attention that was given to the issue in the media.

It is conceivable that the fact that the hostage issue continued to appear day after day after day may have given some aid and comfort to the people holding the hostages and made it more difficult to move toward a solution.

But other than that, no.

Senator MURKOWSKI. It must have been very frustrating.

Mr. VANCE. It was terribly frustrating.

Senator MURKOWSKI. Because your efforts, for all the commitment and expertise, were not successful.

Mr. VANCE. Very frustrating.

The CHAIRMAN. Senator Zorinski.

Senator ZORINSKY. Thank you, Mr. Chairman.

Cy, it's good to see you again.

Mr. VANCE. Thank you.

Senator ZORINSKY. Mr. Secretary, before I ask a question, I'd like to straighten out a comment that my colleague, Senator Tribble made, with regard to quoting a sentence from Mr. Sick's book, which read: "After nearly 2 hours of discussion, a draft message was prepared for President Carter's approval offering a military package of about $150 million upon release of the hostages."

The sentence prior to that says: "This equipment, which was stored in military warehouses throughout the United States comprised almost a random selection of items that happened to be in the pipeline at the time of the revolution which Iran owned and had already paid for."

So I think if you read the two together, there's certainly a different essence, philosophy from the situation today. However, I can see that some of my colleagues are once again tempted to blame this sad event on Jimmy Carter also. Since we blame—try to blame everything else on Jimmy Carter, I think we're finally trying to get this on his back also.

I think the clarification is appropriate, lest any temptation be made for anyone to conclude that any analogy exists between the Carter policy and the Reagan policy.

The package that Mr. Sick mentioned has three crucial differences. First, the military package represented no more than Iranian assets already purchased and in the pipeline at the time of the revolution.

Second, this package would have been released only after the hostages, all American hostages, had been freed.

And third, at that time, Iraq was winning the war, and the United States had a compelling strategic interest in preventing an Iraqi victory by helping to restore a balance of arms that could be released under appropriate circumstances.

And finally, it should be noted that Mr. Sick's account is totally consistent with President Carter's publicly announced policy, in which he declared in the Presidential debate of 1980, if the hostages are released safely, we would make delivery on those items which Iran owns.

So really, there is no analogy whatsoever.

Mr. Secretary, I'd like to go back to your term as Secretary of State. At that time, I introduced a piece of legislation making the office of the National Security Adviser to the President subject to the advice and consent of the Senate, if you remember that.

Mr. VANCE. Yes, I do.

Senator ZORINSKY. We passed it in the Senate, and then it was defeated in conference. Obviously, the administration was opposed to the amendment. And I even felt that what we didn't need to create two Secretaries of State; one was sufficient.

But at the time it was very frustrating to turn on television every night and hear Mr. Brzezinski proclaim an additional foreign policy goal after you had proclaimed one in the morning, and Mr. Kissinger had proclaimed one the night before for our Government.

And it became rather confusing and frustrating, and therefore I initiated that piece of legislation.

Once again, the National Security adviser and Council seems to have usurped an area of assignment of duties. I think it's a prime responsibility of the President of the United States as the boss to delineate and outline what he wants somebody to do for them.

And certainly I wouldn't think as a president that one wants somebody in the NSC to maintain a high profile and take over the foreign policy goals and objectives and workings of our country.

The question I'm asking is, do you feel it would be appropriate to reintroduce such legislation? Or do you feel that some legislation restraining the activities of the National Security Council is needed? You know, every time we'd ask Dr. Brzezinski, at that time, to come testify before this committee, of course his legal answer was that he was not subject to the advice and consent of the Senate, and therefore, did not have to come before the committee to explain anything.

So, do you believe that there should be some legislation? Or do you believe that the President is the one who should maintain control of his own shop and get rid of the National Security adviser if he isn't doing what he should?

Mr. VANCE. I feel that the President should maintain control of his own shop. On the other hand, I don't have any problem with having the appointment of the National Security adviser being subject to the advice and consent of the Senate.

It seems to me that those are not inconsistent. But I think it's very clear, and this has to be understood from the outset, that his role is an advisory and coordinating role; it is not to make or announce foreign policy. That is for the President or the Secretary of State to do.

Senator **Zorinsky**. Thank you Mr. Secretary. Thank you, Mr. Chairman.

The **Chairman**. Senator Pressler.

Senator **Pressler**. Let me follow up on that. And first, welcome here. I apologize for not being here earlier. I was speaking on the Senate floor on Charter 77, the Czechoslovakian group which is having its 10th Anniversary this year. This is a very important human rights movement in Eastern Europe.

I did read in your statement on page 9 about a small NSC staff like that envisaged by the drafters of the National Security Act and so forth.

And following up on Ed's question, if we were to have the National Security adviser approved by the Senate, then he might well take on a role almost equal to that of the Secretary of State.

Of course in at least two crisis incidents, we've seen illustrated that he already has, I suppose, as a practical matter.

But wouldn't we just be encouraging diffusion in foreign policy? I mean, I think the NSC Director should be a Presidential adviser, and that only. And I don't know how we're going to get at that problem. Maybe call in McKinsey & Co.

Mr. **Vance**. I agree that the National Security Adviser should not be trotting up to the Hill all the time and testifying. His job is an in-house job, and that's what he ought to stick to.

But I think it is not unreasonable for you to say, "This is a terribly important role," and we, the Congress, want to hear what this person is like, hear the views of the individual, before we say, "sure, that's the person that we would be prepared to vote for to take on that job."

But it should not change his basic task and responsibility, which is that of an inside adviser and coordinator for the President, and not one who is going to be running up to the Hill to testify, or getting on television and proclaiming policy.

Senator **Pressler**. Now, was that the same sort of arrangement when the hostage rescue attempt occurred? Was that engineered by the NSC without telling you about it, the same as this particular arms sales was apparently engineered by the NSC without telling George Shultz about it?

Would that be pure analogy?

Mr. **Vance**. No. The question of launching some kind of a rescue operation had come up several times, and had been turned down.

It so happened that I was out of the city on the day that the particular meeting was held at which this was reraised, I did not know, when I left the city, that it was going to come up.

And therefore, the proposed action was taken up by the NSC, and the decision made by the President at the NSC meeting when I was away and did not know the meeting was going to be held.

Senator **Pressler**. Well, I suppose—and this is in no way criticizing you; I've been trying to figure out how these relationships work between the President and the Cabinet, and I think it's really important to review that—the President really wouldn't be obligated to consult any of his Cabinet, or any of his advisers, I suppose, on a major decision?

I mean, theoretically, he could make a decision, announce it, and there wouldn't be any—it might be discrete to let them know.

Mr. VANCE. But he has the power to do so.

Senator PRESSLER. Yes. Now, where does this leave us with hostages, in your judgment, in the future?

Now, the United States has gone on record that we will pay to try to get hostages back. We will negotiate. We will offer money or arms or some such.

Could this lead to a rash of captured Americans, or American businessmen, or just U.S. citizens in the hope that our Government will secretly agree to get them back?

Mr. VANCE. Going back to 1980 and what was done there was merely to give them back a portion of their money which we had seized, and to put the bulk of it into an escrow account from which American claims could be satisfied by decision of the International Tribunal which had been created for this purpose.

So nobody else's money but Iranian money was being used. And even today they have not yet had returned to them all their money. In short there was no money put up by the United States.

Senator PRESSLER. But in terms of policy, anticipating what's going to happen in the future, what do you think the results of this current thing will be in terms of Americans being taken hostage?

Mr. VANCE. Well, I think what has happened has made it more likely that we're probably going to have a continuation of hostage taking.

But I'm not sure, whatever you do, that you aren't going to see this continuing. It is a terribly difficult problem to deal with. There are no simple answers.

And we mislead people and mislead ourselves if we think there's some magical action that is going to stop terrorism and hostage taking.

Senator PRESSLER. I was intrigued by your comment of not using private parties in foreign policy. Of course, we have the Logan Act or something like that that prohibits people from acting by themselves.

There probably have been instances in American history, and I can't bring them to mind instantly, where private parties have been used. But that is an intriguing thing to me.

You feel that as a matter of policy, our government should be extremely careful to just operate through the State Department, through official channels? If the President has a businessman friend who he can send to Moscow to maybe talk to the premier or the politboro in a different way, you think that's a little dangerous in terms of——

Mr. VANCE. No, I think that can be done. That's not the kind of thing I'm talking about.

What I am talking about is the kind of action that took place here, where people were urged to go out and raise money, and then send the money to the Contras, particularly when to do so was probably unlawful.

And that kind of privatization, to avoid the will of the Congress, is the kind of thing that I'm talking about.

Senator PRESSLER. That's what you're talking about, OK.

Another thing that intrigues me is what's really going on in terms of policy in the Iran-Iraq war, and where that's going to shake down.

I know we're so obsessed with Irangate, and what might have been done wrong or right. But what's really going on? And you said earlier in your testimony that we shouldn't take sides there.

Mr. VANCE. Yes.

Senator PRESSLER. But it's been confusing to me, frankly. Here you have two countries which are both of the same religion—one is more fundamentalist-oriented, as I understand it—who should be allies.

In terms of policy in the future, what's going to happen there? And what's really going on? What's really being fought over in terms of policy, other than egos on both sides?

Mr. VANCE. I think that there is a fight over the question of what branch of Islam should be the dominant branch, Shiites on the one hand or Sunnis on the other.

Senator PRESSLER. There is that internal thing on religion, but if one side or the other wins, is there going to be a basic alteration of their approach to the rest of the world? In the religious sense, there certainly would be, I suppose.

Mr. VANCE. Yes. I think the concerns of many of the Arab states are that if the Iranians win, they will continue to export their fundamentalist views to groups within these other countries and that this could be destabilizing. This is a matter of great concern to them.

Senator PRESSLER. So you feel if Iran were to win, they would be more likely to export destabilizing influences through Arab fundamentalism, so then maybe we have an interest, a foreign policy interest in not seeing Iran win.

Mr. VANCE. I think we have an interest in seeing neither side win, quite frankly. What we ought to be working for is to try to find some way to bring the parties to a negotiated settlement. And, as I have said I recognize that is not easy to do.

Senator PRESSLER. What would be the foreign policy results if the Iraqis should win, let us say, overwhelmingly somehow?

Mr. VANCE. Less dangerous, I think, for most of the countries in the Middle East. On the other hand, I think that this would be a matter of grave concern to Israel.

Senator PRESSLER. Grave concern to Israel.

Mr. VANCE. If Iraq should win—yes. I think that is one reason that Israel has been providing arms to Iran, because it wants to keep Iraq with its face toward the East and away from Israel.

Senator PRESSLER. Now, that is fascinating to me because if Iran should win you would have more Arab fundamentalists who are more likely to be more militantly against Israel, and yet Israel seems to be supporting Iran because if Iraq were to win, you would have more of the traditional Arab established governments opposed to Israel.

So Israel has a very hard choice.

Mr. VANCE. It does have a hard choice, yes.

Senator PRESSLER. But you are almost saying that, in terms of stability, it would be better for us if Iraq won the war?

Mr. VANCE. No, I am saying it would be better for us if neither of them won the war.

Senator PRESSLER. I continue to be fascinated with that war because it is not an easy one to pick sides on.

Mr. VANCE. It certainly is not, and it drags on and on. For more than 6 years it has been going on, and now we find it is in one of its bloodiest phases.

Senator PRESSLER. From the point of view of policy, what thing would bring it to an end? What could we do to bring it to an end?

Mr. VANCE. I think probably only the disappearance of one of the principal actors, either Khomeini on the Iranian side or Hussein on the Iraqi side.

Senator PRESSLER. How would they disappear? How could they be caused to disappear?

Mr. VANCE. Khomeini is quite old now. If you read recent stories in the paper, he is suffering from a number of severe illnesses. It just might happen that he might die and pass from the scene, although I remember hearing from the Intelligence Committee much earlier on that he was very sick and was soon going to pass from the scene. Here it is many years later, and this still has not happened.

Senator PRESSLER. Thank you. My time is up.

The CHAIRMAN. Thank you.

Senator Kerry.

Senator KERRY. Thank you, Mr. Chairman. Welcome, Mr. Secretary. I join my colleagues and thank you for coming here to testify.

Mr. VANCE. Thank you, sir.

Senator KERRY. The questions asked by my colleagues, Senator Murkowski and Senator Trible, seem to be trying to put some gloss of legitimacy on this transaction and somehow find perhaps some rationality for it.

I would like to ask you a question which seeks your personal opinion from your experience in government generally as well as your position as Secretary of State.

You have pointed out in your testimony, and I think it is well known now through the long reporting by the press, that almost every aspect of this shows a policy in disarray, shows an administration at odds with itself; and individuals within the administration contradicting each other as to the facts.

It raises questions of accountability and management. You pointed to them in your own testimony. It raises issues about the President's management leadership.

It has undercut our own policy on terrorism, as you said again in your testimony and as many have agreed on both sides of the aisle.

It has placed our own credibility with our allies in jeopardy. There are a host of tangible clear foreign policy effects of what has happened and of serious problems of accountability within the administration. It seems to me, from my perspective as I listen to what is being said about this, that the most important point of all, and that is what I would like you to comment on, is being perhaps glossed over or missed that point is the fact there is a great distinction between the prior administration efforts to deal with Iran and those of this administration, that democracy does not go down in the basement and connive to circumvent the U.S. Congress, to lie, to prefabricate a story in the event it is found out, and even to circumvent the advice and consent of the Secretary of State and the Secretary of Defense and others within the administration itself.

So it seems to me that the heart of this issue is really the violation of the relationship between the White House and Congress and the American people, a breach, if you will, of the trust between those entities, and that what you really have here is a callous disregard for the structure of our Government. I would like to ask your comment on that based on your experience.

Mr. VANCE. I do think there was a disregard of the responsibilities of the Congress in the way that the administration dealt with it. I think clearly the Congress should have been notified of what was taking place. My view is they should have been notified in advance so that their views could have been brought to bear on the discussion of whether or not we would go forward with the sale of arms to Iran, and that the failure to do this was a serious mistake.

I think that the action which apparently was taken with respect to——

Senator KERRY. Was it a mistake——

Mr. VANCE. If I may finish my answer, that the action taken with respect to the Contras was, again, a disregard of the intent of the Congress and a violation of the Boland amendment. I am not privy to all of the facts, but from what I have seen reported, it would seem that that is the case, and I do not think that that is any way to run a nation or to have a decent and productive relationship between the executive branch and the Congress who are elected to represent the people.

Senator KERRY. Was it just a mistake, or is it something more than that?

Mr. VANCE. It is a grave error.

Senator KERRY. Now, as one looks at the broad network that extends out of the NSC and the long time period of the effort to aid the Contras from the NSC, the effort did not begin with the Iran arms sale. We have General Singlaub running around the United States raising money with, by his own admission, the assistance of the CIA, Mr. Casey, the nod of the White House, the approval and the encouragement of high administration officials.

We have General Secord another retired general involved in weapons transactions. We have Admiral Poindexter, who apparently was more involved than he had first admitted. We have a Lieutenant Colonel North. We have colonels we just read about, who allegedly were involved in their own private arms transactions and we have paramilitary groups directly involved in aiding the Contras.

From your experience as Secretary of State, have you ever witnessed anything like this where there are so many military, exmilitary, and paramilitary personnel involved in the private conduct of foreign policy on behalf of the United States and a particular ideology?

Mr. VANCE. No, I have not.

Senator KERRY. What are the dangers of that?

Mr. VANCE. The dangers are twofold. No. 1, that you are really turning over the execution of foreign policy to people who are not part of the government and are accountable to no one. Second, in this case some of the actions that were taken, I think, were actions that are probably illegal and to get people to be doing something which if it were to be done at all ought to be done by the Government. By circumventing it is both bad policy and wrong.

Senator KERRY. Why do you think it is going on?

Mr. VANCE. Because the government wants to achieve an end which it was not able to achieve because of the existing state of the law.

Senator KERRY. So it has specifically set out to circumvent that law?

Mr. VANCE. I do not know what was in people's minds. I think it is clear, however, that they felt very deeply in the administration that this was a proper course of action and that regardless of what the facts were, that it was essential that the Contras continue to receive aid, and that was going to be done one way or another.

Senator KERRY. Mr. Secretary, you resigned when you disagreed with the policy after you graciously waited for the appropriate moment and until it had been effected. There is a noticeable lack of resignations by anybody accountable for anything in this administration, and I wonder if you would care to comment at all, in general or otherwise, as to whether or not you think that this administration and those within it have behaved appropriately with respect to their positions of accountability.

Mr. VANCE. I would comment only very briefly. When a Cabinet officer has a difference with the President over what I would call a core issue or core value and the President takes a decision which is contrary to that which the Secretary feels very deeply about, then the Secretary should resign.

I think it is inappropriate for a Cabinet officer to remain as a sitting Cabinet officer and criticize the President. If you feel you must criticize the President, then you must resign and, when on the outside, express your views as an individual.

Senator KERRY. Mr. Secretary, a story circulated, as yet perhaps not aired fully to some people's satisfaction as to its source or veracity, but I know the reporter and I have confidence in the story. As it turns out that from the arms sales there was a transfer of funds to campaigns and to political propagandizing.

What, in your judgment, would be the effect of such an event, such a disclosure?

Mr. VANCE. First of all, I feel that that is really a very speculative story at this point, and all I would like to say about it is if that were the case, which I have my doubts, it would be deeply troubling, I think, to an awful lot of Americans.

Senator KERRY. Mr. Secretary, from your perspective, is this administration now so tangled in a lack of credibilty and so at odds with itself and, in a sense, so without direction that efforts to recoup within the Middle East and to deal with our allies in a way that can recreate some momentum in that process, that credibility be regained? Or do you think that we are going to go through an almost 2-year period of an ineffectual administration?

Mr. VANCE. I think that there is still a chance of breathing some new life into the process of seeking a just and durable peace in the Middle East. It is going to be hard, but I would be the last one to say that we must throw up our hands and say "No, it is not possible."

Senator KERRY. Thank you. My time is up. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Evans.

Senator EVANS. Mr. Chairman, I feared when these hearings were scheduled that they would turn into what they have apparently turned into, not aimed as the title of this hearing suggests—aimed, as I think we should, at United States policy toward Iran. We have a distinguished former Secretary of State before us. We have engaged in a lot of political shot and shell back and forth. Both sides are responsible for it. I hope that as the Foreign Relations Committee hearings continue we will try to get at the subject of the hearings. I think the chairman has wisely set the focus of this hearing and I hope we can stick to that. Leave the digging through the evidence and the political shot and shell to the special committees which have been set up both in the House and the Senate to do that task.

We ought to be dealing more in this case with an appropriate policy toward Iran and try to see what we can get from these distinguished witnesses. We must also look at the structural changes; in other words, the things that are clearly under the purview of the Foreign Relations Committee.

The CHAIRMAN. I would observe that this is what basically I thought we had been doing, but any Senator is free in his 10 minutes to say and do, not necessarily do, but say what he wants.

Senator EVANS. I understand that fully, and this Senator was free, as an initial statement, to object to that as being outside the purview of this hearing.

With that, Mr. Secretary, let me ask the fundamental question. In your view, how real is the Soviet threat to Iran both now and especially at such times as there may be a change in government, post-Khomeini threat?

Therein lies some of the decisionmaking that went on over the last several years with different perceptions of just how strong that Soviet threat was, whether there was a real chance of Soviet intervention and movement into Iran or whether they would be biting off a much bigger and much more difficult situation than they are facing now in Afghanistan.

I wish you would speak to it both from the historical view from the time when you had some responsibility, what you see currently and what you might predict for the future after a change in Government.

Mr. VANCE. I think there is a possible threat. When I wrote my prepared statement, I debated what word to use. I put "possible" rather than "potential" because that means it is a little less likely than if it is a potential threat. I even thought of using the word "perceived," but I finally ended up using the word "possible."

It remains possible, but I do not think it is likely, and let me tell you why I do not think it is likely. I think that the Soviets at this point are faced with a very difficult situation. As they perceive it, I believe there has been a deterioration in what they call the correlation of forces and that their position, insofar as the correlation of forces is concerned, is worse than it was.

I have made quite clear that their principal priority lies in the area of modernizing their economy and attacking the social and economic problems which include poor productivity, corruption, excessive alcoholism, and the huge problem of trying to bring the bureaucracy along if they are going to achieve much needed change.

If that is to be done, then I think they need a period of relative quiet in external affairs; and, therefore, I believe it is less likely than it might have been before that they will engage in a foreign adventure which would involve the invasion of Iran. However, it remains a possibility, and one must treat it as such.

Senator EVANS. Do you have any predictions? What is your best estimate at this time of the most likely scenario, assuming that the Ayatolla Khomeini would pass away tomorrow or the next year, sometime soon? What is most likely to happen internally in Iran?

Mr. VANCE. I think there probably would be fairly prompt effort to resolve the Iraq/Iran war. As to who the successor and the center of power would be, I would simply be guessing. My guess is it is probably going to be one of the individuals, at least for the immediate period, who currently is in the top of the power structure.

I think we would make a mistake to assume that the religious element of the population would lose its power. I think it will retain its power at least for a considerable period of time.

Senator EVANS. In your testimony on page 3, you suggest that it will be impossible to establish any normal relationship until Iran has demonstrated that it no longer supports or engages in the vicious and intolerable practices that led to the break. I am not quite sure precisely what the term "normal relationship" means.

Let me couch it in the question of whether we should embark upon or attempt to embark upon diplomatic relationships with all nations. I would note that we have diplomatic relationships with a good many nations that engage in vicious and intolerable practices, and that the citizens and officials of the United States would suggest exist, in Nicaragua, or in Chile, or in the Soviet Union for that matter.

With all of that, does normal relationship include the question of seeking direct diplomatic relationships?

Mr. VANCE. I think that the first step in seeking a normal relationship is to discuss the possibility of some form of diplomatic relationship.

Senator EVANS. Do you think that ought to be attempted currently?

Mr. VANCE. Not at this point. I think in light of what has happened, there is going to have to be a period of time before that is possible. I believe we ought to keep the door open. By this I mean we ought to be willing to talk to them and hear what they have to say about what they are prepared to do.

Senator EVANS. If none of this had happened, if we could unravel a year and a half, would you suggest that at that time it would have been an appropriate thing to make contact in an effort to initiate some kind of more correct relationship?

Mr. VANCE. I think it would have been proper to have discussions with them, but we are still faced with the problem of terrorism and its impact upon us and their holding of hostages through surrogates; therefore, as long as that condition exists, I cannot see how we can seriously talk about a normal relationship.

We would, however, be foolish to stop our ears and say that we are never going to talk to them about developing a normal relationship, because in the end I am convinced that that ought to come, and will, come about. When, it is hard to say.

Senator EVANS. You said, I think this is accurate, in response to a question on the Iran/Iraq war whether we should take sides, you said we should not take sides, we should stay out of it. If we can be helpful as a mediator, perhaps we should do so.

I think a little later on you indicated that it might be necessary to intervene in some respects if one side or the other appeared to be gaining the upper hand. I think it is accurate to say that you believe that the best conclusion of that war is no winner but some kind of solution.

If Iran were clearly on the losing side, if we got to a point where they exhausted their human resources, they clearly do not have the materiel and the arms that Iraq has. If there was a clear movement in that direction, should the United States, in its own best interest, get involved in anything more than just watching what happens?

Mr. VANCE. I think if you got to that point that you would find it likely that the war could be settled because you would, at that point, be having a change in the top leadership. Iraq has said that it wants to settle the war; therefore, I think there would be a possibility of reaching a negotiated solution.

Senator EVANS. You know, sometimes when nations finally gain the upper hand after a long and bitter struggle, their tendency is to not pay a whole lot of attention to negotiated settlements when they can gain unconditional surrender. Iraq has been very heavily hurt and wounded in many ways, in terms of people lost, in terms of treasure spent, and I do not think they have any stomach for continuing the war if they can settle it.

So you do not think that any action under any circumstances on our part would be appropriate?

Mr. VANCE. At this point?

Senator EVANS. I am not saying at this point because I posed a theoretical situation of a movement strong in one direction.

Mr. VANCE. I do not see anything that could be done at this point or that could be done, period.

Senator EVANS. Let me finally just pose it in the other way if I might, Mr. Chairman.

What about the alternative? If Iran were to overwhelm Iraq and appear to be moving strongly toward winning that war, should we intervene at all, in any way at all, on the side of Iraq?

Mr. VANCE. I certainly do not think we ought to intervene in any way which would involve putting American forces in. Whether we should, at some point, change our policy with respect to whether we would provide arms to Iraq is a question that would have to be decided at that time.

Senator EVANS. Should we encourage the Israelis to ship arms to either side under any circumstances?

Mr. VANCE. No, we should not.

The CHAIRMAN. Thank you, Senator Evans.

Senator Simon.

Senator SIMON. My apologies, first of all. We have run into the usual kind of conflicts this morning. You have been an uncommonly fine public servant and leader. I want to say that for the record, first.

One question may not have been touched upon by my colleagues. Are there any general guidelines you would use for contact with countries where contacting them or having relations with them probably is not popular? Let us take not only Iran but Cuba and Vietnam, where the national passion and the national interest may be going in two different directions.

Any observations on that?

Mr. VANCE. Yes, I do have some observations. I think in such situations, and particularly, let us take Cuba and Vietnam, our objectives should be to seek normal relations.

Insofar as Vietnam is concerned, I do not think it is possible to have normal relationships until the MIA question has been put behind us. I do not think there is any difference of view on that between Republicans and Democrats. I think that that can be done, and we ought to continue our effort and to do so at a higher level within our Government.

Another obstacle to normalization is Kampuchea. Insofar as Kampuchea is concerned it is an obstacle but less of an obstacle than the MIA question. If those two issues could be removed, or the first removed and the second ameliorated so that there could be some progress that would be very beneficial.

I believe that if we can overcome these obstacles it would be in the national interest of the United States to have normal relations with Vietnam because it would produce, in my judgment, a more stable situation than currently exists in southeast Asia and might lessen Soviet influence there.

In Cuba we have tried from time to time to start a dialog. In fact to that end we had a number of discussions during the Carter administration. They unfortunately did not bear fruit because of what was happening in Angola at that time, and they were shelved. I would hope that they would be picked up again and that efforts would be launched to see whether or not we could not start a dialog again that would lead to over time the establishment of normal relations.

These are not popular subjects. To even talk about them brings a host of mail that is very critical, and I know first hand because I have received such mail because I believe what I have said to you. But I would hope that we would not let that deter us from facing up to these issues and trying to deal with them in a constructive way.

Senator SIMON. I thank you. I concur completely in your answer, and as we try to carry out foreign policy, it should not be by taking polls or just looking at the mail, that our aim clearly ought to be, whether it is Cuba or Vietnam or Iran, ought to be the independence of these countries and not have them rely on the Soviet Union.

I thank you, Mr. Secretary, and thank you, Mr. Chairman.

The CHAIRMAN. Senator Adams.

Senator **Kerry**. Mr. Chairman, could I just make one quick comment because I have to leave.

I wanted the record to show that with respect to the comment of the Senator from Washington, that I think this committee struggled at great length 15 years ago, and perhaps a little more, over the whole issue of the War Powers Act and the question of accountability and process. The Senator from Maine, Mr. Cohen, made a very good speech I think on the floor the other day summarizing this problem as really one of process. I think it is totally appropriate that this committee, which has oversight responsibility for the conduct of our foreign policy and its formulation, engage in a discussion of process and accountability and not simply what do you think we ought to do about this or that, and what are the opportunities. It is in the formulation of the policy that we have seen the problems, not always in the final product.

And I hope that the chairman will consider it in order to be talking about process in the course of these hearings.

Senator **Pressler**. Mr. Chairman, I would agree with that very strongly.

Personally, I feel that we should not concede to any other committees or select committees or whatever what our role is, and so I identify with those remarks.

The **Chairman**. Thank you. Thank you very much.

Senator Adams.

Senator **Adams**. Thank you, Mr. Chairman.

Mr. Secretary, it is a great pleasure to see you this morning, and I want to state for the record that it was an honor to serve with you in the Cabinet when you were the senior member. I agree with your policy statement. I also happen to agree with your statement made with regard to whether or not Secretaries should resign, and under what circumstances. I think you have served your country well, and I agree with your policy statements this morning.

There are two things that I want to inquire about, one of which has been opened by Senator Kerry, and I want to pursue policy and the manner in which it is formed and was formed when you were Secretary of State.

Prior to that, however, I did not want the record to suggest that your negotiations did not involve potential for solution in 1979. As I remember, there was an extensive power struggle within Iran between Bani Sadr and a whole group of people who unfortunately are no longer in Iran but at that time had a substantial opportunity to control the government, and the Khomeini camp. You were negotiating with a group of people who were not, in other words, in the Khomeini camp. He achieved his strength and control, as I remember, after that date, is that not correct?

Mr. **Vance**. Khomeini basically, Senator, had the authority but still was in the process of consolidating his power. Bani Sadr and Ghotzbadegh were of a different view with respect to the hostage issue. They wanted to resolve the issue promptly. They thought that it was damaging to let the matter drag on. On the other hand, in the end, the power really lay with Khomeini, and when we were really quite close to a solution he exercised that power and said "No, the hostages will not be even turned over to the government to be held by it; nothing will be done until after the Majlis, the parliament, is installed." This meant that nothing positive could happen until several months later.

Senator ADAMS. But, as I remember, they were part of, Bani Sadr and the others were part of the government, and they were——

Mr. VANCE. They were. Bani Sadr was president, had been elected by the people of Iran.

Senator ADAMS. And there was that struggle at that time. Therefore it was an evolving situation that you faced.

Mr. VANCE. That is, correct.

Senator ADAMS. Mr. Secretary, I remember the National Security Council meetings which I attended. I think often policy flows from process, and I am concerned here that the policy may not exist and the process may be flawed. As I remember, and I would like to have you state for the record, the members of the National Security Council are the President or the Vice President in his stead, the Secretary of State, Secretary of Defense, head of the Joint Chiefs, the National Security Advisor, and then by invitation the head of the CIA or other Cabinet officers——

Mr. VANCE. Treasury.

Senator ADAMS. Treasury. So that you had, in effect, an interagency operating Cabinet group within the National Security Council. But the National Security Advisor was to do just that, to provide advice to the President and was a nonoperable staffing function for the National Security Council.

Mr. VANCE. That is correct.

Senator ADAMS. Who generally presided, Mr. Secretary?

Mr. VANCE. The President.

Senator ADAMS. The President did, did he not? And in his absence the Vice President would preside.

Mr. VANCE. Correct.

Senator ADAMS. Is it possible in your view that a policy of the magnitude of shift that we have here—which is to change from a policy of no arms sales, a policy of no arms for hostages—could move through the Security Council without someone in higher authority authorizing this because of the basic structure of the Council itself. Could it simply have been either concealed or moved by the President or the Vice President who are obviously the beneficiaries of the information developed in the Council?

It just seems inconceivable to me that this could have occurred all at a staff level.

Mr. VANCE. The usual practice on something like this was for it to be discussed among the senior Cabinet officers and other cognizant officials—and all of the members of the National Security Council, including those who might be invited to attend that day all would be given a chance to express their views. The President would not have to announce his decision at that time. He could say I have heard what all of you have to say, I want to take this under consideration, and I will make my decision.

Under normal practice there would be a decision memorandum subsequently issued which would be sent to the Cabinet officers involved so that they would know what the decision was that was made by the President. That is the normal practice which is used.

Senator ADAMS. That is what I wanted to determine. The normal practice, as I remember, is that the Secretary of State or maybe a

Deputy Secretary of State, would meet with the President at very regular intervals, if not daily, as well as the National Security Advisor doing so, is that not correct?

Mr. VANCE. Yes. As Secretary of State, I talked to the President every day and had a formal meeting with him and other senior members of the NSC every Friday morning. At that meeting were a number of others, including the Secretary of Defense, often the chairman of the Joint Chiefs, sometimes the Chief of Staff of the White House and the National Security Advisor, so in sum there were not only my daily meetings—and I used to send to the President every night a short summary, two, three, or four pages——

Senator ADAMS. As I remember, you sent the pouch over that would give an analysis of, in effect, hot spots in the world, the key issues for the President.

Mr. VANCE. The key issues. And that piece of paper went to the President directly, and the National Security Advisor was not permitted even to put a covering note on it. It went directly to the President. That was an arrangement that I worked out with the President. It was my report and my recommendations on things that I wanted to go directly to the President.

Senator ADAMS. That went by pouch every morning.

Mr. VANCE. Every night.

Senator ADAMS. I happen to agree with your conclusions as to what should have been done, so that is why I am not questioning you about your specific conclusions. I agree with them both with regard to Contra aid, with regard to arms sales to Iran, and to the situation regarding the Iraq-Iran war.

What I am trying to determine is, as policy is evolving now, do you have a recommendation for how the Congress can be better made aware of enormous policy shifts such as have occurred. And as part of that, is there a process in place that you know of today which is designed to communicate major policy shifts within the administration and to the Congress?

Do you have a suggestion as to how that should be done?

Mr. VANCE. I think that as far as the NSC is concerned, it ought to be shrunk in size. It ought to be very clear, as I think under Frank Carlucci it is going to be——

Senator ADAMS. Agreed. I agree with that.

Mr. VANCE [continuing]. That it will have no business at all in any kind of operational matters, and that it will play a more active role in coordinating the input of the various parties that are required to bring the facts before the President so that he has a really broad base for making decisions in the national security field and in the foreign policy field.

The basic structure is there. You do not have to change the 1947 National Security Act in order to do this. The President and his National Security Advisor working together will have to develop a structure that is like the original structure; namely, a small staff, which serves him as advisor.

Senator ADAMS. And as I remember, you were familiar with that process not only from being Secretary of State, but clear back through the sixties when you were involved in the Paris negotiations, is that not correct?

Mr. VANCE. Yes, and I served in the Defense Department for a good many years and had a lot to do with the 1947 act and its implementation, so I think I know it fairly well.

Senator ADAMS. So the process has probably broken down and needs to be repaired.

Mr. VANCE. Yes.

Senator ADAMS. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator Pressler.

Senator PRESSLER. Thank you, Mr. Chairman. I will ask a second round here.

We have not finalized the selection of our ranking member yet and have been delayed again. So maybe I will have lots of chances to ask lots of questions.

Let me cover the Soviet Union's interest in Iran both from a policy viewpoint and an economic viewpoint, and then China's, and then Europe's.

Mr. VANCE. All right.

Senator PRESSLER. To the best of your assessment.

Now, first of all, the Soviet Union and Iran are right adjacent to each other, obviously.

What does the Soviet Union want to see happen there from both a diplomatic and economic and foreign policy perspective?

Mr. VANCE. First of all, it does not want to see anything coming out of Iran which is going to destabilize the Islamic community in the southern part of the Soviet Union. That is a very, very sensitive subject for the Soviet leaders.

Senator PRESSLER. They are afraid of the Islamic fundamentalists getting more active in the Soviet Union itself.

Mr. VANCE. Yes.

Senator PRESSLER. And if the Ayatollah became more powerful than he is or more active or won the war, that would cause them internal problems.

Mr. VANCE. That is right.

Second, I think that they clearly do have an interest in the oil reserves that exist in the Persian Gulf area and in Iran. They currently have basically enough to take care of their own needs and to be able to export both oil and gas, which is an important source of hard currency for them. If something should happen to their domestic oilfields, it might be very tempting for them to move into Iran.

They would, however, have to think and very long and hard before doing this because they know that such action might well be the step that would lead to a war with the United States. Nonetheless, it is a possibility that exists.

As I said a little bit earlier, I think that the principal concern of the Soviet Union now is to give highest priority to addressing their domestic problems.

Senator PRESSLER. Is to address their domestic problems.

Mr. VANCE. Yes, the domestic problems, as I have said they will be seeking, if they can, a period of relative quiet in external affairs so as to address more effectively these domestic concerns. Because of this, we have more leverage than we have had in a long while on such matters as arms negotiations.

Second——

Senator PRESSLER. That probably accounts for their willingness to, or apparent willingness to be a little more—have more dialog with us.

Mr. VANCE. Yes, I think so.

Senator PRESSLER. All right.

Mr. VANCE. Now, second, you wanted to know about China?

Senator PRESSLER. China, yes, what is their interest in Iran, I mean, in their foreign policy, their probable behavior in terms of economic and other issues in the future?

Mr. VANCE. Iran is a Third World nation. China puts very strong emphasis on having good relations with Third World nations, particularly important Third World nations such as Iran has been and I think will be again in the future. So from a straight diplomatic standpoint, Iran is important to China.

And there was a third area, was there not?

Senator PRESSLER. The European Community.

Mr. VANCE. The European Community is deeply concerned about the Middle East for historical reasons, and it is at the crossroads of trade as one moves from West to East. It is also the source of most of Euopean oil, which is of critical importance. We in the United States take relatively little oil out of the Middle East, but it is vitally important to our friends in Europe. They want to see a stable Middle East in which there is a steady supply of oil that is dependable. The longer that the Iraq-Iran war continues with a diminution of the amount of oil that is available and the spectre on futher uncertainty for the future source, this is a matter of grave concern, to Europe.

I think also the problem of terrorism at home and in the Middle East is a matter of deep concern to them.

Senator PRESSLER. Good. Thank you very much for your analysis.

The CHAIRMAN. Senator Sarbanes.

Senator SARBANES. No further questions. Thank you.

The CHAIRMAN. Thank you very much indeed, Mr. Secretary, for being here.

I well recall those meetings which you were talking about where there were no leaks that occurred, having participated in a good many of them.

Mr. VANCE. Yes, indeed.

The CHAIRMAN. And it is a very good way of communication about a crisis situation that I would hope could be repeated in the future.

We now will recess this committee until 10:05 a.m. tomorrow morning.

Mr. VANCE. Thank you, Mr. Chairman.

[Whereupon, at 12:20 p.m. the hearing was adjourned to reconvene at 10:05 a.m. on Friday, January 16, 1987.]

UNITED STATES POLICY TOWARD IRAN

FRIDAY, JANUARY 16, 1987

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met at 10:05 a.m., in room SD–419, Dirksen Senate Office Building, Hon. Claiborne Pell (chairman of the committee) presiding.

Present: Senators Pell, Sarbanes, Simon, Adams, Moynihan, Helms, Kassebaum, and McConnell.

The CHAIRMAN. The meeting of the Foreign Relations Committee will come to order.

Today in the second of a series of hearings on the various foreign policy aspects of the administration's strategic initiative toward Iran, the Foreign Relations Committee will hear Robert McFarlane, who was the National Security Advisor to the President at the inception of the Iran initiative.

Because the Iran initiative was conceived and executed by the National Security Council staff to the exclusion of the State Department and other foreign policy agencies, our witness is really uniquely able to speak to the design of the policy, to its goals, and to its initial implementation.

Mr. McFarlane will also be able to enlighten the committee about the decisionmaking process that led to the initiative. I am disturbed, as are many of us, by the content of the Iran policy and equally by the process used to make that policy. In setting the course it did the White House apparently failed to consider the possible adverse consequences of the Iran initiative, and these include the direct impact of the arms sale on Iraq's beleaguered defense.

The impact of American arms sales on the effectiveness of Operation Staunch, the United States organized arms embargo of Iran, the impact of perceived United States duplicity on the credibility of the United States security guarantees to Saudi Arabia, and the other gulf Arab nations, the impact of a perceived arms for hostages deal on a counterterrorism program based on the declared maxim of not rewarding terrorism, the impact of United States prestige of a policy which has at least in its implementation held the United States up to a considerable degree of ridicule and scorn.

I am no less concerned about the process by which the policy was made. The Iran initiative was undertaken without any input from the State Department's Iran experts, and apparently without the benefit of our professional intelligence analysts. It was carried out with only the minimal involvement of the Cabinet officer responsible for American foreign policy, the Secretary of State, and with a disregard for the statutory role of Congress.

Had our foreign policy professionals been involved, the White House would surely have learned of the folly of using arms as a means to reach dubious "moderates" in the Iranian government. By consulting with professionals the White House might better have understood the potential damage of the Iran initiative to a much broader range of United States foreign policy and security interests.

Had the Congress been consulted the White House would have known in a far more timely fashion what it has now learned through bitter experience, that the American people will not accept a policy of providing arms to an Iran headed by the Ayatollah or by radical sponsors of terrorism like him. I would ask the ranking minority member if she has a statement.

Senator **KASSEBAUM**. I do not have an opening statement. Thank you, Mr. Chairman.

The **CHAIRMAN**. Then, Mr. McFarlane, do you have an opening statement? Then we will move on to questioning.

STATEMENT OF HON. ROBERT C. McFARLANE, FORMER ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

Mr. **McFARLANE**. Thanks very much, Mr. Chairman.

I have looked forward to the opportunity to come before the Committee on Foreign Relations. The legitimacy and understandability of the committee's interest in the and conceptual underpinnings of this initiative are very sound. As a consequence, I welcome the opportunity to provide the fullest possible account of the concept on which this proposal was based and of the specifics of its conduct over time, to include responding to your understandable interest in the process within our Government.

The **CHAIRMAN**. Excuse me. Could you pull the microphone a tiny bit closer? Thank you.

Mr. **McFARLANE**. It seems to me that the two central points at issue in gaining an understanding of the matter are first of all, the concept? Was it in the national interest? And second, assuming that it was in the national interest, was it feasible?

On the first point, the concept of trying to establish a dialog with people in Iran who would be involved in the post-Khomeini government seems manifestly important if not vital to United States interests. The vital character of that interest derives from the geography of Iran, sitting as it does between the Soviet Union and the Persian Gulf, a position that has been a coveted avenue for commerce and for the projection of power for centuries.

The United States interest in foreclosing Soviet access and the ability to project power that would be represented were the Soviet Union to have a prevailing influence in Iran is clear and is joined by our separate interest in the security of the oil flows in and out of the Persian Gulf, oil flows which are key to the health of the international economy.

We also have very negative concerns about current Iranian policy, and that is a deep-seated opposition to and resistance to their policies of supporting terrorism throughout the Middle East, which at bottom are directed toward the expulsion of the United States presence, both diplomatic and commercial, and Western presence generally from the Middle East.

We oppose this, and we have throughout this initiative. Consequently, I do not think there is serious disagreement here in the committee, with the concept—the desirability, indeed—of trying to avoid a vacuum in the relationship with Iran. There may also be agreement on the desirability over time, if possible, of moving from a condition of hostility, which has dominated the past 7 years, toward one of normalcy.

The second question is equally serious, and that is, if it was desirable, was it feasible, are there really people in Iran who are oriented toward change? The basis for that judgment was one on which one can disagree, but it certainly has a logic to it. Specifically, if one tries to put oneself in the position of an Iranian official today concerned for the welfare of his country, and simply looks at the spectrum of external and internal problems they face, there is a compelling case that there surely ought to be people in Iran who want to change.

To the west an Iranian sees a war that has already cost some 1 million casualties, with no end in sight. To the north he sees an ominous Soviet presence of almost 30 divisions becoming more menacing and capable each day. To the east he sees a Soviet occupation of Afghanistan with pressures on Pakistan and the possibilities that Iran indeed, were that successful, could be next. In short, considerable external turmoil.

Internally, that same Iranian official would see the results of the aforementioned external stress creating internal turmoil; specifically, the loss of much of their oil export production and distribution facilities in the war has had the effect of reducing exports to about 20 percent or less of what they were before the war.

That means less foreign exchange, fewer dollars, and a lesser ability to import the key requirements to sustain the population. That official would see outside his very office the tens of thousands of peasants and others for whom he cannot provide. In short, Mr. Chairman, I assert that there was a logic to believing that there ought to be self-interested politicians in Iran concerned for stability in their own country and for providing for their people that would be interested in change.

Now, I recognize that a case can be made that that is not true, that there are no such people—call it with a Western logical turn of mind—and that the people in the government are preoccupied with the promotion of a theocratic crusade throughout the Middle East. Surely there are such people, but such people are not naive about their own ability to govern with the pressures that they face.

Witnesses before this committee have asserted that instead of trying to identify whether there are such people the course of our own Government should have been to ignore Iran. I assert that that is misguided, Mr. Chairman. The responsibilities of government, of this Government, are to try to protect American interests, and surely those interests are not defended if we ignore the very clear decline and chaos occurring in one of the most geostrategically important countries of the world, a country vulnerable to the Soviet Union, vulnerable to the decline of its economy, able to affect American presence and influence in the Middle East dramatically through terrorism. In short, to have ignored Iran, to have done nothing, while safe, would have been irresponsible.

The balance of the committee's focus—and it is a very legitimate one—is then: If the concept was sound and if there was a logic to expecting that there are such people in Iran who ought to want to change current Iranian policies, was its conduct carried out in a fashion that served the national interest?

I am here at the committee today to respond, but would answer at the outset that the chairman's own questions this morning concerning the involvement of appropriate Cabinet officers was fully satisfied throughout the time I was in Government. It has been clear from the beginning that, as with any important decision of this kind, the President needs to have the advice and counsel of all appropriate Cabinet officers. And in this case, he did. He also understood that the risks were considerable, but that the possible gains were also important.

Weighing the advice of his Cabinet officers, the Secretaries of State and Defense, the Director of Central Intelligence, the President decided that it was important that we not ignore a condition that dramatically affects the security of the United States. He tried. Efforts do not always succeed, and I cannot account for events that occurred in 1986.

In closing I would say that the responsibility of Government to seek to promote our national interest and to avoid allowing vulnerabilities to worsen, as surely they would have, is important.

I look forward to responding to your questions.

The CHAIRMAN. Thank you very much indeed, Mr. McFarlane. Thank you again for being with us and your frankness and your willingness to respond. I guess what you are saying in your statement is that the rationale for this opening or for this policy was to develop an opening with the officials and that the release of the hostages was a byproduct. Is that what you are saying, or are you saying that they had equal importance?

Mr. MCFARLANE. From the beginning my own view of this undertaking was that its central purpose was to enable us to restore some kind of discourse with sensible elements in Iran that in a post-Khomeini period could lead—might lead—to a more stable relationship. The relationship to hostages in my mind was this, that in order for this concept to have any validity the people with whom we dealt could not be simply people of no consequence, with no influence in the government. To fulfill our purposes they needed to be people that could change things. Now, a measure of that at the outset had to be, could they in fact affect the release of the hostages, for if they couldn't even do that, surely we couldn't expect that the larger issues of changing Iranian policy could be taken on. So in my mind the ability of our interlocuters to secure the release of Western hostages was a measure of two things: First, the good faith of the people with whom we were dealing; and second, their competence, their influence.

The CHAIRMAN. And obviously it is based on the thought that while the hostages were being held in Lebanon or wherever they were, that the masterminds controlling their fate were the Iranians. Would that be a correct assessment?

Mr. McFarlane. Clearly there was a linkage between Iran and the captors in Lebanon. I would not say that it was so rigid as to enable the Iranian officials to dictate the actions of the captors, but there was a relationship and influence.

The Chairman. I wonder if in the formulation of this policy thought was given to the fact that it would eventually, in all likelihood, as everything does, become public, and what the assessment of that risk was.

Mr. McFarlane. It seemed to me from the beginning that in the best case, assuming things worked, and the people with whom we dealt, acted in good faith, which meant being able to change over time the policies of the government, that that was certain to engender opposition from the more radical factions. It seemed to me that we had to anticipate that within at least 3 months' time, there would be, if things worked out, a leak, a disclosure from opponents, and it seemed to me that we ought to have in mind that at the end of 3 months' time we should make a decision as to whether or not the original idea was proving out; that is, that there were such people and they were able to influence events, and in that event to carry it on, to go ahead and engage with the Congress and acknowledge that this was going to become a public matter.

Now, on the other hand, if we determined that these people were well meaning but not yet able to really influence change, then we should have terminated it, and basically I acted within that approach.

The Chairman. I guess what I find puzzling is the thought that anybody in that government of Khomeini could be considered a moderate or reasonable, that people who might be moderate would be outside the government, and hence would have no power, while the people in the government were all of a pretty extremist viewpoint. That, I gather, was not your view, that you thought there were moderate elements within the government

Mr. McFarlane. I did, Mr. Chairman, and I did because it seemed to me that in a system which is not a democracy, but authoritarian, that those within the government, purely out of personal self-interest, have an interest in staying in the government and to do that they have to be responsive in some measure to pressures of their constituency. In short, that this transition period has been underway probably in the minds of high Iranian officials for the last 2 years, and that those albeit sitting officials devoted to supporting policy in some measure are not immune to recognizing the problems they face and wanting to change course.

The Chairman. I think it would be of interest to us how mechanically you would make contact with the so-called moderates when I would think they would expose themselves to having their heads chopped off for being in contact with you.

Mr. McFarlane. That is a very good point, Mr. Chairman. That in fact was a source of some credibility to the good intentions or good faith of the people we dealt with. Specifically, for 4 years there had been Iranians of various coloration coming to the U.S. Government, to the State Department, to the CIA, to the White House occasionally, and made claims as to their own bona fides. None of them seemed to me to be more than rather self-serving people of no influence and questionable good faith.

However, when we were advised by a third country that has been thoroughly reported, Israel, that they believed they had identified people who were officials as well as people out of the government, the central focus of our questioning was, How do you know about their intentions? What makes you think that they are not simply self-serving, opportunists trying to exploit you and us, and I believe that while it would be better done in closed session, it was clear that before this was ever brought to our attention the efforts of Israel to validate the legitimacy of these people was very thorough, and I say that in the context of these people having indeed made themselves very vulnerable, and enabling, putting themselves in extremely compromising positions which if disclosed today could put them in a very risky state, but I would be glad to cover that more in closed session.

The CHAIRMAN. Thank you. Did I hear you correctly when you said that this possibility and these individuals were brought to our attention by the Israeli Government, by the Israelis?

Mr. McFARLANE. That's correct.

The CHAIRMAN. Would you feel free in this open session to say who in the Israeli Government or was it private individuals who were not members of the government?

Mr. McFARLANE. It is a matter of public record acknowledged by Mr. Kimche, who was at the time the Director General of the Israeli Foreign Ministry and a man with whom I have dealt, a man for whom I have enormous respect. He is a man of considerable intellect and complete integrity.

The CHAIRMAN. The policy that we had of discouraging our allies from giving arms to Iran and our own policy in doing this, How did you resolve that from a policy viewpoint in your minds? How could you have these two things in contrast to each other make sense?

Mr. McFARLANE. I think that is the most difficult matter for Americans to understand, and it is reasonable that it is found difficult. When the matter was presented to the President in July 1985 that ambiguity was stressed, that here we have a case, on the one hand, in which the United States would be engaging in providing arms to individuals who are opposed to a policy of terrorism, who wish to end the war with Iraq, who wish to have a reasonable discourse with the United States and restore their own economy.

However, on the other hand, they are Iranian, and the perception in the United States is that Iran is a monolithic, very extreme, brutal, radical country, and we have foreclosed providing arms to that country. It was made clear to the President that to ask Americans to distinguish between providing arms to that country and doing as we did, providing arms to individuals of a different point of view, was very hard.

The idea that you could deal with people who are Iranian and associated with a state policy of terrorism but who might not be themselves supportive of that policy is very hard for Americans to understand, but it is on that premise that the President reached the decision to go ahead, and that is that if these people could demonstrate their opposition to terrorism and express their bona fides to end the war and make clear that they had influence to do it, only then could we indirectly provide arms, but only in quantities that couldn't affect the outcome of the war with Iraq or be used for terrorist purposes.

But you are quite right. That is very difficult for Americans to distinguish in looking at Iran as one single terroristic society.

The CHAIRMAN. Thank you very much, Mr. McFarlane. My time has expired. I think we should limit ourselves to 10 minutes, and with the small number of us here we should be able to have a second round if we so desire.

Senator Kassebaum.

Senator KASSEBAUM. Thank you, Mr. Chairman.

Mr. McFarlane, there are many questions that I would like to ask. I feel they do come under the purview of the select committees and the independent council, so I will try to restrain myself and draw upon your expertise to ask about your analysis of some of the future consequences in the Middle East and particularly regarding Iran and Iraq.

What do you think are the consequences of our recent actions on the military balance between Iran and Iraq?

Mr. MCFARLANE. Senator Kassebaum, it seems to me that the military consequence is inconsequential.

Senator KASSEBAUM. Is inconsequential?

Mr. MCFARLANE. Inconsequential. The dominating factor of the conduct of this war between Iran and Iraq has been great ineptitude on both sides, and that is not to say that weapons are not a factor. They certainly are. However, the specifics of what was provided and the circumstances faced today in the area of Shat-al-Arab as well as the northern central fronts are such as could not have affected the strategic balance and the outcome.

Senator KASSEBAUM. Do you see this as a stalemate situation?

Mr. MCFARLANE. Yes, I do. It seems to me that it is very unlikely that either side, based on looking at the record of 7 years of tactics and doctrine pursued, seems to have an understanding of how to take advantage of benefits they enjoy and which ought to have enabled each side to be far more effective than it has been. The tactical aviation of Iraq, the sheer numbers of Iran, and so forth, superior technology, but none of those factors have been effectively brought to bear.

Senator KASSEBAUM. I certainly would agree with your comment that we should not ignore Iran, but would we not have been better off perhaps to have tried to explore a greater diplomatic effort to bring about some conversations between Iran and Iraq? Was that closed to us? Was that option closed? Or was it ever explored?

Mr. MCFARLANE. That is a very good point. Indeed, that was a central purpose of this.

Senator KASSEBAUM. Of trying to sell arms to Iran?

Mr. MCFARLANE. No. The basic concept was that out purpose in trying to contact people in Iran at all in the first place was to not only have some hope of influencing the future politically in Iran, but to stop the war.

And our policy of trying to do that for 6 years before this ever started was one of the central points that I was to make, for example, in the visit to Iran: How do we stop the war? Can we help you do it?

Senator KASSEBAUM. But weren't we evidently dealing with people who perhaps wanted to continue the war?

Mr. McFARLANE. I think definitely not.

Senator KASSEBAUM. Wasn't it to their advantage to continue the war?

Mr. McFARLANE. I feel very strongly that that simply is not the case, that these people were very conscious that a coninuation of that war was very harmful to Iran. I think they still feel that way.

Senator KASSEBAUM. What would be the consequences in the Middle East if Iran should win the war?

Mr. McFARLANE. It is difficult to know with certainty. However, the possibilities of Iran dominating the northern end of the gulf, giving them a much better position to pursue a military campaign down the west side of the gulf is very clear, and very, very threatening to our interests.

Were they to try to move in to Kuwait, Bahrain, Qatar, the UAE, and so forth, a separate and equally ominous possibility would be the rallying effect that victory would have upon Shiites throughout the area, and the stimulus it might give to a terrorist campaign, whether in Lebanon, Saudi Arabia, or elsewhere.

Both of these consequences would be very harmful to our interests.

Senator KASSEBAUM. Well, I certainly would think so. I wonder when you say it's at a stalemate, do we today have credibility to be a player, a major player, in trying to bring parties together and move it beyond a stalemate?

Mr. McFARLANE. I wouldn't pretend that we have today a relationship with Iran or Iraq that would enable us to do that. Nor has Iran thus far, at the Khomeini level, said they were willing to negotiate.

But surely we will never have that possibility if we don't try. And I think the prospect of our having a useful role to play is better today than it has been.

Senator KASSEBAUM. You believe we are strengthened today because of the recent actions we have undertaken?

Mr. McFARLANE. I think in the viewpoint of those who are going to be in the succession government, in the post-Khomeini period, their confidence in being able to deal with the United States in a way that assures them we're not going to act against their interest is better now than it has been before, yes I do.

I don't pretend that the Khomeini regime is likely in the short term to change course; nor did we expect it to.

Senator KASSEBAUM. You mentioned in your comments, opening comments, and so I'd like to follow through a bit, the importance of dealing with people in good faith, and that since you stressed the importance of good faith in the people you were dealing with, I'd like to ask why when you recommended I believe at least twice that arms shipments to Iran be halted, once in late 1985, and again after your visit to Tehran in 1986, both times decisions to halt these shipments were overturned.

Why was that?

Mr. McFarlane. I cannot account for that, Senator. I don't know. I wasn't there.

Senator Kassebaum. You did recommend that they be halted because of questioning the good faith of people that you were dealing with; is that correct?

Mr. McFarlane. I made that recommendation not entirely because of good faith. In fact, I thought there was a well-intentioned group of people there. But that thus far they simply couldn't deliver.

In other words, good faith, yes; ability to influence, no. I believed it was premature, and that it should be discontinued.

I made that recommendation. It was endorsed by others, and I cannot account for how it was altered later.

Senator Kassebaum. You didn't question why it was altered or changed after you made that recommendation, and you have the expertise and were a major player at that point? Didn't it trouble you that it was overturned at some point?

Mr. McFarlane. Well, bear in mind, I made the recommendation after I had resigned and was no longer in the Government, and was not party to the deliberations in January 1986, through which it was resumed.

In May, in the 4-day episode in Iran, which renewed my confidence that this was still a premature opening, I came back and again recommended that it be terminated.

But I was out of the Government, and I was not involved in subsequqent policy deliberations in the administration.

Senator Kassebaum. Just one final question: If the war continues to drag on for a couple more years, what effect do you think that will have? Is this going to enhance in anyway a change within Iran, or will it only strengthen the hand of the stronger group there, the fundamentalists?

Mr. McFarlane. Well, it seems to me, Senator, that two facts are at issue here. One is the continuity of the Ayatollah Khomeini himself.

And for as long as that is the case, I expect that the war will continue, and there's little prospect for change.

The other factor is one of the extent to which—call it pragmatic considerations of welfare in the Iranian society, and its decline, are more important than the very important factor of culture and of religious influence.

In short, in the post-Khomeini struggle, the balance between the mullahs and the noncleric—call it more pragmatic—communities will determine the answer to your question.

The outcome depends upon the extent to which political leaders in Iran can rely upon essentially religiously founded bases for sacrifice being tolerable to Iranians albeit at the cost of a decline in their basic welfare.

It seems to me that there is better than a 50–50 chance that those decisions by individual Iranian peasants will come down in favor of change, and toward a less extreme policy. And that is why to make ties with those people who might lead such a faction today is in our interest.

Senator Kassebaum. Thank you.

The CHAIRMAN. Thank you very much, Senator Kassebaum.

I would add here that after the questioning in open session, we can have an opportunity to go in the back room for any further information along the lines that you mentioned that you would care to give us in closed session.

So when we have wound up the open session, we will retreat to the back room.

Senator Sarbanes.

Senator SARBANES. Thank you, Mr. Chairman.

Mr. McFarlane, did I understand your response earlier to the chairman to be that the safety of certain elements, so-called moderate elements, in Iran would be endangered if their identity were revealed?

Mr. MCFARLANE. Senator Sarbanes, while I think there is a consideration of immediate safety, the portrayal of those individuals as having worked, and working now, with us affects more their ability to carry on in government or in their current status where they are.

And it's more a concern for whether they will remain viable over time.

Senator SARBANES. Well, that leads me right into my next question. And that was, I'm interested in the calculation that led you to assume you could make an opening to so-called moderate elements without jeapordizing them or endangering their position in Khomeini's Iran.

Mr. MCFARLANE. I think I responded to this before your arrival, sir. My judgment was that the first objective had to be to determine whether, there were such people at all. And to consider that if there were, and if the idea of trying to deal with them had merit, it certainly was going to be opposed by others in Iran, and it would be exposed.

And consequently, that you had to recognize at the outset that you had perhaps at most a 3-month or so opportunity to determine whether this policy had any merit to it—if there were people interested in change or not.

If there were, the second judgment was—and this goes to your point—could they change things now, and if not, even though they were well meaning, you'd better back off.

If they couldn't, of course, back off. That's why, it seemed to me, that you had to expect the policy would have become public within 3 months' time, and plan on it, and indeed, expect it to happen with full congressional involvement and so forth.

Senator SARBANES. What would the consequences have been, even assuming all of this had worked out within a 3-month period, if it became public? What would have happened then to these elements within Khomeini's Iran?

Mr. MCFARLANE. Well, if they——

Senator SARBANES. Let's assume that you found elements that were intentioned such that you established contact with them. What was going to happen to these elements once it became known, as you assumed would certainly happen within a fairly short order, that they had an identification with the United States?

Mr. MCFARLANE. I expected that at the end of about 3 or 4 months' time, you would reach a conclusion that those with whom you dealt were dealing in good faith, and they were competent, and strong enough to preserve themselves against the opposition they would surely face; or a lesser degree of control and influence.

And at that point, if you determine that they had good faith and were well meaning but not yet able to act, still you would terminate things and say, "Well, let's stay in touch, but let's not undermine your own position in Iran; simply know that we are interested in supporting you over time."

Senator SARBANES. Well, now how would the furnishing of arms to those elements have sustained their power position vis-a-vis Khomeini and the radicals?

Mr. McFARLANE. I think that's probably the most difficult question for Americans to understand, Senator Sarbanes, and in my judgment the answer is this——

Senator SARBANES. Well, I don't think we should limit it to Americans. I think it's difficult for lots of people to understand.

I really don't accept the proposition that somehow there's something faulty in the thinking of Americans that makes them sort of genetically unable to analyze this situation, as opposed to others around the world.

My perception is that lots of people who are not Americans are asking similar sorts of questions.

Mr. McFARLANE. That wasn't my point, of course. The point is to ask oneself, in a very realistic fashion, how change occurs in the Middle East.

And using concrete cases in point, how have good governments emerged in the Middle East. And we find that it is not through a process of conventions and primaries and runoffs and elections at all.

But instead, that it has involved people, occasionally of great competence and occasionally not, taking a fairly common approach. And it has very often involved first, being able to survive, by building a coalition or a faction, a faction that must have strength, and specifically arms, and that over time these militias, factions, struggle one against the other, and one emerges with a leader of consequence who can lead.

But this process is one which, in country after country, has necessarily involved arms, because arms are the currency that engenders support, military support.

Senator SARBANES. Now, these arms were not going to be used by a moderate faction within Iran against another faction within Iran in a power struggle. They were to be used by Iran in the war against Iraq; is that correct?

Mr. McFARLANE. Senator, the arms were the currency—and I think that's the proper term—for engaging Iranian army and air force officials, who by dint of their stature and command and control of forces contributed to this power base that over time could assure the survival of the figures with whom we dealt.

Now, I don't contend that this was open warfare at this point that would have been served by TOW missiles; you're quite right about that. But it would have been the currency through which the political process of getting the support of those army elements was achieved.

Senator SARBANES. Well, was it your view that Khomeini and the more radical elements would have been unaware that this currency was circulating?

Mr. MCFARLANE. Senator, I have no concrete evidence that Ayatollah Khomeini was or was not aware of it.

Senator SARBANES. When you went in yourself, how much concern did you have, first, that it would be found out—did you believe you could go in without Khomeini and those elements knowing you were there?

And second, assuming that was a problem, what was your calculation of the dangers inherent to you in being taken—not only the personal dangers, but the dangers to the United States that a former national security adviser, with the kind of access that you had to the most important of information, would have been captured and held by elements very hostile to American interests?

Mr. MCFARLANE. I'd make two points, Senator Sarbanes. First of all, your earlier point about the extent to which Khomeini was conscious of what was going on I answered in saying that I wasn't—had no certain basis for knowing whether he did or not.

Senator SARBANES. Well, I'm very careful to say, not only Khomeini but the radical elements associated with Khomeini.

Mr. MCFARLANE. That is a very important factor. So I devoted considerable effort to finding out just what that situation was, and is today.

And I think that's the kind of thing that is better gone into in closed session. But to deal with the point of your question, I was very much aware that in dealing with people who wanted change in a climate controlled by Khomeini, and surrounded by subordinates who were of a much more radical turn of mind, that this posed great risks, both for those we dealt with and for us.

And so before going in there, I made a very serious effort to determine just what high-level awareness there was of our coming, and what risks there were. And while I concluded that it certainly was not without risk, I finally concluded that it was an acceptable risk.

Senator SARBANES. Would you agree with me that it would be a disaster for American interests if a national security adviser were in fact taken hostage by elements inimical to U.S. interests?

Mr. MCFARLANE. Well, I can imagine circumstances in which it could be. [Laughter.]

The CHAIRMAN. Thank you very much.

Senator McConnell.

Senator MCCONNELL. Mr. McFarlane, I happen to have spent an hour with Prime Minister Shamir Monday, and an hour with Foreign Minister Peres on Tuesday in Jerusalem.

And I therefore have a good deal of interest in your observation about reliance on the Israelis for identification of these so-called moderate elements.

Did you mean to say, did you say, that we relied excusively on the Israelis to identify the moderate elements in Iran with which we were going to deal?

Mr. MCFARLANE. My intent was to say that the original presentation to us that we found credible came from Israel, but that we did make our own independent efforts to determine whether their own conclusions were reasonable.

Senator McConnell. Were those independent efforts to identify or to verify the Israeli advice about who the moderate elements were through government sources or private sources, or a combination of both?

Mr. McFarlane. Basically government sources.

Senator McConnell. Was there private advice offered by others in trying to identify who those elements were?

Mr. McFarlane. None that I know of with—I may misunderstand, such as academics or scholars, things like that: no.

Senator McConnell. Did you, Mr. McFarlane, as a result of your discussions with the Israelis, or from any other source, conclude that Khomeini's successor Montezeri, was a moderate?

Mr. McFarlane. No, sir.

Senator McConnell. Did you conclude that the military leaders who were not part of the revolutionary guard might fall in the so-called moderate category?

Mr. McFarlane. Some of them, yes, sir, not all.

Senator McConnell. Was there any discussion about the merchant or bazaar class in Iran, which control about 75 percent of the business there? Is it generally thought that they have a number of so-called moderates in them?

Mr. McFarlane. Yes, sir, it was. In sum, the composition of the community group of people that were portrayed to us as being interested in change included people from each of these communities: from the military; even from the revolutionary guards in a very few cases; from the bazaris; and from the mullahs, from the clerics.

But there are shadings of attitude in each of these. And that those within the government at the head of this faction were reliant many diverse outsiders.

Senator McConnell. Did you ever have any direct contact with any of the people in any of those groups that we just talked about?

Mr. McFarlane. These are not people who could come to the United States, and I did not go there until May. And so the answer is, in the beginning, no.

Senator McConnell. So we relied exclusively on the advice of others as to what individuals in those various groups might comprise this moderate element?

Mr. McFarlane. That's correct. We really had no alternative. But you make a very good point, and that was why, in December 1985, in frustration at not being able to validate the bona fides of these people by direct contact, I recommended to the President, and he agreed, that we establish direct American-Iranian contact so as to make a better estimate of the credentials of the people with whom we were dealing.

Senator McConnell. Had you been earlier, though, impressed with the credentials of any of these individuals? You had not met with any of them at the earlier point?

Mr. McFarlane. I had not, and I accept your point that I relied quite heavily upon the characterizations that we had from others.

Senator McConnell. The Israelis?

Mr. McFarlane. That's correct.

Senator McCONNELL. Do you think it's a rather dangerous position for us to take to rely almost exclusively on any other country's intelligence assessments as a basis for initiating a policy which, by your own admission, was fraught with danger for the President, for the administration, for our position all over the world?

Mr. McFARLANE. Well, it's certainly a risk. And that's why the determination of how far one goes is terribly important. But it seemed to me that the stakes, the national interest in trying to determine the answer to the question, is there hope in Iran, was terribly important to our country.

Now that said, given the enormous risks to be overcome, one should not make too great an investment, or make too great an exposure of risk, in the process, until you have a personal basis for determining that this is making sense and getting results.

But it seemed to me that if there was to ever be anything except doing nothing, which is safe but irresponsible, that you should start something with the best information you can get, and we did.

Let it run until you can see whether they are delivering results and these people are people of influence. And we did.

And when you are shown that they cannot, even if they are well meaning, deliver, stop it; you should do that, and I tried.

Senator McCONNELL. You said earlier that you figured that the efforts to establish this process would be disclosed within a 3-month timeframe. But it was at least 6 months, was it not from July until December, before we made any direct contact ourselves, and did anything other than simply rely on the Israelis? Is that what happened?

Mr. McFARLANE. Well, sir, the President's approval came in August 1985. The authority was that if Israel were to sell arms to Iran, and ultimately came to the United States to replace them, that they could do that, so long as the quantity shipped and the character of the weapons wouldn't alter the complexion of the situation in the war or contribute to terrorism.

Now, I understand——

Senator McCONNELL. Excuse me, if I may interrupt you. And so that whole process was based exclusively on intelligence assessments from Israel; is that right? We had at that point no independent verification whatsoever of what a moderate was, or who they were?

Mr. McFARLANE. Well, no not entirely. The United States intelligence community had been collecting information as best it could on the situation in Iran for a long, long time. And that had involved inputs from Israel, of course, but also from a number of other countries.

And so when we got the Israeli estimates, our own intelligence community had considered not only that input but input from others, and could make a recommendation to the President as to whether this was a prudent thing to do or not, and it recommended that we go ahead with it, clearly recognizing that we couldn't do it with absolute certainty.

But the judgment of the Director was that, yes, this was worth a try for a period of time. And so with that authority Israel undertook under it to be in touch with the Iranians again. And the first action, as I recall it, was at or about September 1, 1985.

So responding to your question timewise, during September, October, and November, the authority was exercised and the initiative tried.

At the end of that time it seemed to me that its original purpose, putting Americans in touch with Iranians, wasn't proving out, and separately, that it was taking on a focus, a priority, of securing the release of hostages.

Consequently, I recommended that we try to get it back on its original course. And the President approved that.

And then a meeting between myself and an Iranian took place in London and led me to the conclusion that this isn't yet a mature opportunity, and that we should stop it. And I recommended that we stop it after that 3-month trial.

Senator McConnell. May I have one final question, Mr. Chairman?

Did you or anyone else in the August discussions with the President suggest to him that if this got out, and you indicated earlier that you thought it would be out within 3 months, that if it got out it was going to look strictly like an arms-for-hostages deal?

Mr. McFarlane. That point was made very emphatically by more than one person to the President.

The Chairman. Senator Simon.

Senator Simon. Thank you, Mr. Chairman.

Mr. McFarlane, as a followup to the question by Senator Kassebaum, when your recommendation to terminate arms deliveries to Iran was made, who overturned that recommendation?

Mr. McFarlane. Senator Simon, I made that at the end of December and left the Government. And I was not party to the follow-on decision process in January through which the dialog was resumed.

And consequently, I don't know.

Senator Simon. Let me just ask, then, ordinarily how would the process work?

Mr. McFarlane. Ordinarily, the President would assemble his National Security Council members, Secretaries of State and Defense, the National Security Adviser, the Director of Central Intelligence, possibly the Chairman of the Joint Chiefs, the Vice President, and others in the Reagan administration who are members. That includes Secretary of the Treasury, the Attorney General, the Chief of Staff of the White House.

Senator Simon. And your recommendation went to your successor, or to the President, or to whom?

Mr. McFarlane. When I returned on December 9 from London in 1985, I was asked—or I went in to see the President on December 11, and present were the President, the Secretary of Defense, the Deputy Director of CIA—the Director was out of the country—the Vice President, Mr. Regan, Secretary Weinberger. Secretary Shultz was at NATO meetings in Europe.

I debriefed that I had carried out my instructions in London and had stated that we were open to a political discourse but that we would not ship U.S. arms nor encourage others to do so, and as a separate matter, I believed that the specific individual who was the Iranian go-between was a person we should no longer deal with.

That was December 11. The Secretary of Defense endorsed that position as well, and, while the President did not reach a judgment on the spot, my assumption, because it was the common view among the participants, was that the matter would be curtailed.

Senator SIMON. Then let me shift to the broader issue.

You've probably done more reflection on what all this means than anyone else in this room. Reversing roles a minute, if you were a U.S. Senator today—I do not want to wish this upon you, but if you were a Member of the Senate—how would you be handling this Iranian situation?

What should we be probing? What should we be doing? How should we be handling this in the best interests of this country?

Mr. MCFARLANE. Senator Simon, it seems to me that the approach taken thus far by committees of jurisdiction—this committee, its counterpart in the other body—is proper.

Your question is broader than that. It seems to me that the orientation of each committee in its jurisdiction should be to determine, first, the analytical foundation, that is, the quality of policy analysis, that led to this.

Second, the process through which decisions were reached.

And finally, after evaluating both of those, policy analysis and process, to determine whether there was weakness of system or of person, or of personality. And if that is systemic, to determine what changes in the system, the process are in order.

There is a separate matter that is dealt with by independent counsels and so forth. But each of these are appropriate areas of interest for the Congress, and not only by the select committees that have been established, but by jurisdictional committees as well.

Senator SIMON. As you reflect on that systemic situation, one of the questions is, Who should be executing policy.

Do you think the National Security Council, on reflection, has moved into the area of going beyond advising to executing policy more than it should?

Mr. MCFARLANE. Senator Simon, it's out of place for me to speculate on matters in which I was not personally involved. But I will answer your question based on my own activities while in Government.

And it seems to me that there is a legitimate role for the National Security Council, for the President's personal staff, to engage in contact with other governments on a very, very rare basis, not as a conscious initiative of our government, usually, but in response to the interest of people in other governments.

And that I would guess would encompass less than one-tenth of 1 percent of the diplomacy of this country. However, it is made legitimate by the situation in which these foreign entities, be they government officials or people who aspire to be government officials, are in.

And it is often a position of vulnerability, or occasionally a simple matter of divergent public perceptions brought on by a history of disassociation and estrangement which makes possible turmoil within those countries if a public discourse is opened without preparation.

Preparation means, first, to determine whether each country is sincerely interested. Now, that requires very discrete contacts that have two qualities: On the one hand, great discretion and privacy; and on the other hand, the highest level authority.

Now I would say that the number of times that happens or should happen in a given administration you can count on one hand, if that many. And even then, when it is the President's personal role, and has personal staff involved, it has to involve the Secretary of State and other appropriate Cabinet officers.

And it did, when I served in this Government.

Senator SIMON. Let's follow on what happened after you were in the office. And let us assume that the transfer of funds from the Iran sales to the Contras was both good public policy and it was legal; and I don't assume either, but let's assume that just for the question.

Just in terms of structure, is it wise to have someone in the National Security Council carrying this out?

Mr. MCFARLANE. It is never wise to break the law. If the law was broken.

Senator SIMON. But assuming it was not contrary—my belief is clearly that it was contrary to the law. But assuming it was not contrary to the law, structurally. Is this the wise way to move?

Mr. MCFARLANE. It is never wise to evade oversight. By oversight, I mean checks and balances, if that's the intent of your question.

Senator SIMON. Well, I guess my question really goes beyond that. And that is, whether policies like this, the execution of policy shouldn't be with the State Department and with the Defense Department, rather than with the National Security Council?

Mr. MCFARLANE. As I've said, I think in about 99.9 percent of the time, yes. I would say, at the same time, that that doesn't foreclose human error. It does give you a more likely prospect of this kind of effective check and balance which I discussed, and which is entirely proper.

Senator SIMON. I thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Adams.

Senator ADAMS. Thank you, Mr. Chairman. Mr. McFarlane, it's nice to see you again.

Mr. McFarlane, when I was a member of the Cabinet, I appeared before and in the Security Council. I am concerned about the process that you just testified to a moment ago about who participated and who presided.

Because I think the process in this National Security Council leads to policy. Both implementation, and in this case, policy development, comes either in written form or through verbal communication from the NSC.

Did you indicate that on the Security Council, forming policy in the time you were in the administration, that it also involved the Chief of Staffs, I believe you mentioned the Attorney General and so on? Because it's my remembrance that either the President or the Vice President, the Secretary of Defense, the Secretary of State, National Security Adviser, are the Security Council; isn't that correct?

Mr. McFarlane. There are four statutory members, and they are, the President, the Vice President, and the Secretaries of State and Defense.

Senator Adams. Correct. Now, who presided when you were there?

Mr. McFarlane. The President.

Senator Adams. The President presides? Did he physically preside, or did the Vice President preside in his stead?

I'm just trying to find out who made the policy in this, and I'm going to ask you specifically in a moment about the communication to you. Because I'm trying to determine whether the system was flawed, which the Congress should deal with in terms of the act itself, or if there was a breakdown.

And this has been confusing to me, how everybody either did or did not understand what they were supposed to do, particularly the operating officers, State, CIA, the other normal operating divisions that carry out the missions you described.

Who presided on your watch?

Mr. McFarlane. Senator Adams, the President always chaired the National Security Council.

Senator Adams. In other words, he physically was present?

Mr. McFarlane. That's correct.

Senator Adams. Then did you use a policy forming decision to give instructions to others by coming forth with a decision memorandum, or was it simply verbally communicated to everyone?

Mr. McFarlane. Senator, the process, which basically replicated process in policy decisions in other areas—arms control and so forth—were ones in which, first, the President called together his advisers. The issue was presented to him, and each Cabinet officer and adviser expressed his view.

He posed questions, and through an iterative process, solicited and received the advice of all of his——

Senator Adams. But this was verbally done at the meeting?

Mr. McFarlane. That's correct, when they are in session.

Senator Adams. Then was it recorded?

Mr. McFarlane. Again, being out of Government——

Senator Adams. No, I mean on your watch?

Mr. McFarlane. On my watch.

Senator Adams. I'll ask you in a moment how you got the word to someone outside of Government, because I've always been concerned in every administration of somebody saying they speak for the President, and this can become a very tricky business, unless there is either a written memoranda or a clear line of authority so that you know the person is speaking for the President.

Otherwise, your policy, whatever is developed, or lack of policy, becomes implemented someplace else. And I just need to know what you can contribute to the committee in terms of your watch, and then what happened to you as you were receiving instructions.

Mr. McFarlane. Yes, I understand.

As I say, it began in July with the President convening each of the people on the Council, hearing their advice, not deciding, but thinking about it; those same individuals meeting singly or in groups with him again—Secretary of State and Defense—and over time, in the course of about a 10-day period—late July, early

August—the President coming to a conclusion to authorize a specific authority for another country to do something.

And I stress that because——

Senator ADAMS. I understand. Now was that communicated by a decision memorandum to the operating agency?

Mr. MCFARLANE. I'm about to get to that, yes.

Senator ADAMS. What is it?

Mr. MCFARLANE. I'm getting to that.

Senator ADAMS. Oh, yes.

Mr. MCFARLANE. The President viewed the decision as a decision to grant his approval for the action of another government, although indeed, ultimately, that government would come to us again, Israel, to buy replacement arms.

Now, he communicated that to me. And when he did, by telephone, I said to him, Mr. President, as you know, your Secretaries of State and Defense are opposed to this. He said, "Yes, I understand that," and provided his own explanation of the basis for his decision.

Then I notified the other National Security Council members, the Secretaries of State and Defense, and the others. And on those occasions, heard once more the opposition to it from the Secretaries of State and Defense. And I encouraged them to be back in touch with the President.

Because you're quite right. The communications through channels that are not always open can lead to ambiguities and misunderstanding.

And I know in at least one case, I believe the Secretary of State, perhaps more than once after the decision, promptly though, reaffirmed his concerns about it, even though out of this country.

Senator ADAMS. But the policy then, still on your watch, did it ever come down—because I'm concerned about the testimony of Secretary Shultz before the House committee that, he says "I learned not as a result of being involved in the development of the plan"—and we're talking about this authorization—"but so to speak as the plan was about to be implemented. I learned in various ways of the two proposed transfers during 1985, but I was never informed, and had the impression they were not consummated."

What I'm trying to determine is whether the National Security Council processes, the Congress should be involved in determining that there be a more direct line of communication.

Are you saying to me now that he knew that it was the President's decision, that he was told verbally that at the end of this, some type of instruction was clear within the National Security Council statutory people that this was going to be done?

Mr. MCFARLANE. Absolutely yes, Senator Adams.

Now, the knowledge of the specifics, the detail, the scope, the intent of the President's decision were understood by the Secretaries of State and Defense, and they expressed again, their opposition to it.

Now, as to whether or not, after the decision, there was a continuing awareness by them of what was going on, I would say that first, in that same transcript, the Secretary of State acknowledged that in 1985——

Senator ADAMS. Yes, he knew that this was being discussed. But he indicates that he thought the policy—and that's what we're trying to talk about here—that the policy either had not been implemented, or he didn't know anything further about it being processed during your watch. And I have one question, what happened to you afterward?

Mr. MCFARLANE. I believe if that transcript is complete, it also says that while there—for him, the Secretary of State—was lesser awareness in 1986 than in 1985, he testified there was considerable discussion and to and fro about it.

And specifically I took occasion to just go back and try to recall the numbers of times and settings and occasions in which I was in touch or met with him and others on the NSC, the statutory Cabinet level people.

And in only 3 months' time, from July, August, September, it came to more than 200 contacts with those five or six people.

Senator ADAMS. Was there a written Presidential option memo distributed to them?

Mr. MCFARLANE. No. But there was no ambiguity or uncertainty by them of the nature of the decision.

Senator ADAMS. OK, now, I want to, because my time is running out, ask you. Now you're out of office. You're on the receiving end of instructions, and people are saying that this is the Presidential policy in 1986 on which you operated.

Did you receive that as a written Presidential option memo or a verbal contact? How did you know what the policy was? I don't know whether the system has broken down or whether there's a new system in place, and that's what I'm really asking you.

Mr. MCFARLANE. In May 1986 when I was asked by the President to go, ostensibly to open a political exchange, I was given written instructions—terms of reference, they were called, four pages of them. And it was on that basis that I proceeded.

Senator ADAMS. And who did you receive those from?

Mr. MCFARLANE. From the National Security Adviser.

Senator ADAMS. Mr. Poindexter?

Mr. MCFARLANE. That's correct.

Senator ADAMS. In other words, your successor?

Mr. MCFARLANE. That's correct.

Senator ADAMS. So, you had written instructions of what you were to carry out; is that correct.

Mr. MCFARLANE. That's correct.

Senator ADAMS. Did you notify at that point the Secretary of State, the CIA, any of the other operating agencies, of your instructions and mission?

Mr. MCFARLANE. I asked whether or not they were involved, and who had approved these instructions, and was told that the Secretary of State was involved, and that the President had approved the instructions.

Senator ADAMS. You were told that, but you didn't see a Presidential option or anything because you were out of Government at that point; is that correct?

Mr. MCFARLANE. That is correct, and I was called in for this meeting the day before I had—or they had already arranged for me to leave.

Senator ADAMS. Was the President or the Vice President or any of the other officials other than Mr. Poindexter there present and issuing to you instructions, verbal or written?

Mr. MCFARLANE. They were not. On my return, the President acknowledged that the instructions were indeed his instructions.

Senator ADAMS. I see. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Moynihan.

Senator MOYNIHAN. Thank you, Mr. Chairman.

Mr. McFarlane, Senators Sarbanes, Simon, and Adams have spoken to the question of a process. And I'd like to pursue this matter, particularly in the context of your statement to Senator Simons that it is never wise to evade oversight.

I'm going to try to find out when you began to think this. It goes back in the record, as best I can establish, to the second week in April 1984, when Senator Barry Goldwater, chairman of the Select Committee on Intelligence, sent to Mr. Casey, the DCI, a letter saying that the Intelligence Committee had not been informed of the mining of Nicaraguan harbors; that this act was a violation of international law, and that the chairman was expletive deleted over the event.

Two days later you appeared at a foreign affairs conference at the Naval Academy and stated that what Senator Goldwater had said was not true. Now, whether you knew this to be the case or not, you have the option to answer, but you said it wasn't true.

I'll read the account in the Washington Times from Annapolis: "Every important detail" of United States secret warfare in El Salvador and Nicaragua, including the mining of Nicaraguan harbors was "shared in full by the proper congressional oversight committees", insisted President Reagan's assistant for national affairs, Robert C. McFarlane. Mr. McFarlane said he "cannot account for Senator Barry Goldwater's contention that he was kept ignorant by the CIA-sponsored harbor mining."

Now, 13 days later, Mr. Casey sent a handwritten letter to Mr. Goldwater and apologized. He said that his contention that Mr. Goldwater was fully informed was not so, and apologized.

And we tried instead of just getting mad at each other to ask whether we could learn something from this, and get something good out of the event, as the chairman has been trying to do here.

We looked at the oversight statute, and the statute said that the oversight committees were required to be informed of any significant anticipated activity. But the statute didn't define "significant," and so it wasn't clear what that term meant. We said, can we find a working definition, and we did.

And we said, as a working definition, "any covert activity the President himself approves, will be considered significant." That's the way the executive branch works.

And then on June 6 we signed an agreement. Mr. Casey as DCI, Senator Goldwater as chairman of the Senate committee, and I as vice chairman, signed an agreement to this effect: If the President has approved something or directed something, that's significant, and we'll be told. Then you don't have to make a decision every time an event comes along.

Now these have come to be known as the Casey Accords. And the first large breach of the accords began about a year after the accords were signed.

It was our clear understanding that the Casey Accords were signed with the approval of the President. Could I ask you sir, did you not personally approve them in the National Security Council?

Mr. McFarlane. I recall certainly being involved in it. I don't think it was within my authority to approve it, but I would have endorsed it to the President, and I imagine he did.

Senator Moynihan. Yes, because our understanding is, that the President did say, "Fine, that's a good working definition."

Mr. McFarlane. Yes, sir.

Senator Moynihan. Were you by that time aware of what you had said at the Naval Academy was not so?

Mr. McFarlane. Yes, Senator Moynihan, and I think you and I have already talked about this quite a lot. And I agree with your portrayal and every aspect of it.

At the time I said what I did at the Academy, I said it on the basis of what I had been told by the CIA. And I think subsequently as you point out that that was not an accurate representation by the CIA, and in turn by me, although I believed it to be true at the time.

Senator Moynihan. And I do not suggest for a moment that you said something you knew not to be true. But the problem was, it wasn't true.

Were there no lessons learned that you can't always depend on what you're told in the Government?

Mr. McFarlane. It made an impression.

Senator Moynihan. But also, after that great travail, when the proposal was first made to sell arms to Iran, and it was clear the Congress was not going to be informed, didn't that say to you, "Oh, my God, we're going to have trouble"?

At that point, didn't you think that it is never wise to evade oversight? Did you tell the President, did you tell the others, "You know, you've got to share this"? If the Iranians are going to know, why not let the Senate Intelligence Committee know?

Mr. McFarlane. Well, Senator, the point you are making is one with which I agree. Let me deal beyond the principle, however, with the concrete. The short answer is I did not do it because the President's decision was that it was not to be shared. I did feel strongly that the point in time would come where it would clearly become public and, even if we succeeded, that you would want the Congress to know, and if it did not, you would want the Congress to share the burden of failure.

It would seem to me that the outer limit of avoiding congressional oversight was at about a 3-month watershed, and that is entirely arbitrary. At the end of that time, judgments were reached, but whatever they had been at the time, it seemed to me that it would also have been appropriate, even if the program had gone on, to have engaged appropriate congressional Members.

Senator Moynihan. May I ask you this, sir? We are trying to find out whether there is a systemic problem, as Senators Simon and Adams have determined, or just problem individuals?

We are asked to believe, and obviously it is true, that there are men of high office in the U.S. Government who are prepared to trust the government of the Ayatolla Khomeini to keep information confidential, and were not prepared to trust the Congress of the United States. Is that a systemic problem, or is that a personnel problem? Is that a problem with people?

After all, in 3 months the operation is going to get out, and indeed it came out when the Iranians chose to put it out on November 2. Then we found out, and we have been at it since, and we have seen a Presidency shaken, which we did not need. Was it systemic, in your judgment, that people thought it was unwise to abide by the law with the oversight committees? Or did they just not think about it? Or did they not trust us? It was a Republican Senate.

Mr. McFarlane. Senator Moynihan, you probably have more knowledge on this than virtually every other colleague of yours in the Senate, and I find myself in congruence with what you believe, but I did not want to engage this morning in sophistry with you. I am afraid I am very near to the point of doing it.

Let me say this. I think that to acknowledge my agreement with you should not mask as well my concern, and I think your own, about the fact that the process is neither perfect in the executive branch nor in the Senate and the House.

Senator Moynihan. Oh, no.

Mr. McFarlane. I recall very graphically and painfully the experience during the *Achille Lauro* when traveling with the President 2 days into the crisis we had identified the terrorists, their location, and their apparent intent to be flown from Egypt to another country through very sensitive means; that a Member of the Senate asked to be fully briefed on this, as was his authority; that, being briefed, he proceeded to put quite a lot out publicly about the source of that information which was compromised.

Now, I do not mean to pretend for a moment that——

Senator Moynihan. Can we not then agree that there is a difference between hour-by-hour events, and long processes that are of a different order. The shipping of arms is a long, complex process, as against an immediate crisis.

Mr. McFarlane. Well, I do not make the point to say that your point is invalid, because it certainly is valid, and even if I wanted to raise an issue of concern about committees, the law provides that you do not have to go to the full committees. Indeed, the five members of the leadership to me represent clear integrity of process, and I agree with you.

Senator Moynihan. I agree.

Mr. Chairman, if we go around a second time, I would just like to ask about the whole question of the law of belligerency and The Hague Conventions as they concern our providing contraband to one party of one belligerent.

The Chairman. Maybe we could get to that in the next round.

Senator Moynihan. Thank you, Mr. Chairman.

The Chairman. Senator Helms.

Senator Helms. Mr. Chairman, thank you very much.

Mr. McFarlane, I unfortunately had some meetings downtown, but in going to those meetings and coming back I have been listening to you on the radio. Your testimony is very good.

Now, let me mention that at least three times during the short period that I heard the broadcast you mentioned the American people having some difficulty in understanding this or that, and I agree with you. The nuances of foreign policy of trying to deal with the hostile situation, these are not things that can be appreciated by the average citizen.

Inasmuch as that is the case, I think it would be relevant and interesting for you to describe not only for those of us here but for those listening on the radio as I was what will be the consequences if we do nothing and the Soviet Union takes over that area of the world.

Mr. McFARLANE. Senator Helms, I have treated briefly the reason why we should care about the relationship between ourselves and Iran. It is focused upon its geography vis-a-vis the Soviet Union, its role through centuries as an avenue coveted by the Soviets for both commerce and the projection of power through the Persian Gulf. Iran is coveted for its own petroleum resources as well as its ability to control the oil flows of the entire Arabian peninsula in and out of the gulf.

It is of concern to us because of its sponsorship of terrorism. In short, these reasons plus its vulnerability as being flanked by Afghanistan and Pakistan make its control potentially by the Soviet Union a truly strategic enhancement of Soviet ability to project power globally and to control the lifeline of the international economy.

The loss or the success by the Soviet Union in dominating Iran would in fact enable them to bring the international economy to its knees and, over time, to project power much more easily throughout that part of the world.

Now, I do not pretend that that theoretical possibility was an imminent prospect; however, one had to be concerned, especially with the fragile state of affairs within Iran and the apparent decline both of the economy and of the uncertain succession process, that an unstable condition and a contended succession process would occur and that the Soviet Union would certainly be doing what it could to influence that change and, because they would, we should as well.

Senator HELMS. Now, you are a student of history, and I try to be. In the past 2 or 3 years, I have done probably, as you have, a great deal of reading about the prosecution of World War II. Now, just being fair about this, how does this compare with the dozens of forays and efforts made by the administration during World War II? I am referring to Franklin Roosevelt. Was it unusual to deal with unusual people during that war?

Mr. McFARLANE. The short answer is "No." One can distinguish between authorities in war and peace, but your point is correct, Senator Helms, that this would not be considered a great extravagance or unusual.

Senator HELMS. Well, I will just put it this way, Mr. McFarlane. If Franklin Roosevelt had been required to prosecute World War II under the same restraints and criticisms and media attention, leaks, misrepresentations, and all the rest that Ronald Reagan faces every day of his life, we would have lost that war, and the French today would be making their vichyssoise out of sauerkraut. Now, that is the difference.

This is a war going on all over the world between communism and freedom, and I, for one, am not standing aghast at efforts to try to stabilize the situation in the Persian Gulf and the entire Middle East. For my part, I hope we can get some more of the Ayatolla's money to help the freedom fighters not only in Nicaragua but in Angola and Afghanistan and some of the rest.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Helms.

In view of the fact that we are going into the back room shortly for those points that Mr. McFarlane does not want to discuss understandably and properly here, I think we should probably limit ourselves to 5 minutes in this round, and I will do so myself.

I would like to follow up for a second on Senator Simons' question as to the structure of the National Security Council. What this committee is interested in here are fundamentals, policy matters, and structural foundations and patterns, not who did what or why but, more, why he did what.

In a letter that I wrote, which I will ask to be put into the record, to the President sometime ago, a couple of weeks ago, and a reply from Mr. Carlucci a couple of days ago, which I also ask unanimous consent to insert into the record, it is apparent that the NSC, which made the error in this case, of dealing not only in contacts but in operations will not do so in the future.

[The information referred to appears in the appendix.]

The CHAIRMAN. I think the point has been made that NSC should on one-tenth of 1 percent or 1 percent of the time engage in actual contacts with foreign governments is absolutely understandable. We would not have had our opening to China without that, but when it engages in operations, which is what happened here, when it engages in the contacts with the various intermediaries, then you are getting into an operational matter that should better be left to the intelligence agencies or to the Joint Chiefs.

My understanding of the reply from Mr. Carlucci is that it is now the new patent, the new order of things, for the executive branch, and I am very glad indeed of that.

I would also like to comment on Senator Moynihan's point that he raised about the mining of the harbors, et cetera. I believe it was an inquiry from the ranking minority member of this committee that stirred them up to reply to the intelligence committee and to the crossover to us.

One policy question strikes me. I think it is a very good idea to try to open up contacts with governments of which we disapprove. I think the higher level our relationships are, the better. I remember feeling at the time of our withdrawal of Ambassadors from Spain it was a mistake. The worse the relations, the better should be the contacts and the higher level should be those contacts.

I understand this effort to try to make contact with elements in the Iranian government that might be more sympathetic to us if they could be found. Why would not the same argument apply to Cuba, with which we have very poor relations and seek elements there with whom we might be in contact and seek to move ahead. I would be very interested from a policy viewpoint if Mr. McFarlane could give us a reply.

Mr. McFARLANE. Mr. Chairman, the analog is quite good, I think, and that is probably what has led, I believe, every administration since President Kennedy to engage in contacts with the Government of Cuba. The persistent hope to proceed as you wish is very healthy, I think, and it has led every administration, to include this one, to try to make those contacts, which have succeeded to the extent of reaching the high level but, unfortunately, thus far on each occasion have been thwarted by either lack of common interest or purpose or events at the time unrelated but which have an influence either involving us and the Soviet Union or Cuba and the Soviet Union, or both.

This is not to say you should not keep trying, and I think that each administration has and probably will.

The CHAIRMAN. I remember about a dozen years ago the then ranking minority member of this committee, Senator Javits, and I went to Cuba, and we did not see many signs there of efforts being made to communicate and to try to improve relations. We had a long conversation with Castro at the time.

I am glad that we agree on that objective and would ask you one other brief question. Should we engage in negotiations to release the hostages, or should we absolutely not touch it at all?

Mr. McFARLANE. Senator, I think the state of our policy on negotiation is very imperfect, part of it definitional but part of it conceptual. It seems to me that the element that is clear and upon which there is consensus is that you do not make concessions to them.

Now, short of making concessions, does one negotiate? Does one talk, have discussions? There is a lot of murk over what is within the groundrules. It always seemed to me while serving in Government that the President encouraged discussion so as to find out what were the purposes, the vulnerabilities, the limits, the tolerance for pressure and simply to learn as much as you could about them but not to make concessions to them.

The CHAIRMAN. Thank you. My time has expired. I have one other request, and that is is there any reason why you could not submit to this committee the four pages of the terms of reference to which you referred earlier?

Mr. McFARLANE. I returned them upon my conclusion of the mission and returned here when I debriefed in June 1986. As far as I know, I assume they are available in the White House in this time, and I would be glad to cover in closed session, if you wish, the content of them as I recall it.

The CHAIRMAN. Well, maybe on a classified basis you might be able to submit to us the actual text of those terms of reference.

Mr. McFARLANE. I do not have them physically. I imagine they still exist. I could certainly give you as best an account as I could of them. It is pretty clear in my mind.

The CHAIRMAN. Thank you very much.

Senator Kassebaum.

Senator KASSEBAUM. Mr. McFarlane, with a stalemate in the war between Iran and Iraq and our credibility in question with both of those countries at this point, what specific steps would you recommend for our policy in the Middle East and specifically regarding those two countries, and also, what specific recommendations would you make for antiterrorist policy?

Mr. **McFarlane**. On the first point, it seems to me that our policy in the past of seeking to or being willing to help bring an end to the war is correct and, if anything, may have been enhanced by the outcome of this episode to the extent that people in Iran have a better understanding of our own bona fides and good faith and the sharpness of our disagreements with them but may also find us valid interlocutories with Iraq to bring the war to a close.

Again, I do not think that will happen for as long as Ayatolla Khomeini is in charge, but I think we may now have a better opportunity to be accepted as intermediaries in a post-Khomeini era.

Senator **Kassebaum**. Is there anything, though, that we should be doing at this point? What is our relationship with Iran?

Mr. **McFarlane**. I think maintaining in our public and our private stance through the country handling our interests there to continue to make clear our openness to discussing both disagreements and common interests with Iran, and that can be done through diplomatic channels. I think with Iraq we can do the same thing.

Senator **Kassebaum**. Had we tried that with Iran before we initiated the contact regarding the arms shipments?

Mr. **McFarlane**. We had periodic contacts. They had not encompassed any great substance; however, we had made clear our policy position on ending the war and our openness to it through third countries, yes, we had.

Senator **Kassebaum**. How about our antiterrorist policy at this point. What would you do to restore some credibility to that?

Mr. **McFarlane**. Well, it seems to me, Senator Kassebaum, that the conclusions regarding our ability as a country to deal with diverse kinds of terrorism has not been tarnished, certainly not to the extent that is portrayed popularly in the press. When you stop and think about it, I cannot imagine that, be it Khomeini, Assad, Qadhafi, others, that anyone would have any illusions that the President's response to a Libyan attack would be any different today than it was in April of last year.

I take your point, however, that what we have done is different, and there is an apparent contradiction. This is, I think, a reflection of an error on my part to have expected that my own belief that one has to deal with different kinds of terrorism in different ways and that, in the case of Iran, to alter the policy of the state you are going to have to alter the leadership of the state and that you should proceed in ways that may enable you to do that successfully is not in contradiction with the fact that with another kind of terrorism, as one finds in Libya, we use other means.

Now, I think in our own country, the understandable popular perception is that terrorism must be dealt with with great violence, fight fire with fire, and not to have yet absorbed that all centers of terrorism are not the same.

I think in this case I was also probably wrong in expecting that because, for example, in our country, the average American, I believe, would conclude clearly Israel has an effective counterterrorism policy. Israel, however, uses very different means, sometimes great violence and sometimes negotiation with terrorists, but it is quite different for the United States to pursue that same approach.

Our body politic, our people, the American people have a more unique unidimensional appreciation of the problem, and I think over time we must seek to try to expand that.

Senator KASSEBAUM. Thank you.

The CHAIRMAN. Senator Sarbanes.

Senator SARBANES. Well, Mr. Chairman, first of all, I want to elaborate on the history that Senator Helms made reference to. This is not really addressed to Mr. McFarlane because I do not think a question was put or an answer received, but the fact of the matter is the United States went into World War II on the basis of the President's coming before the Congress and asking for a declaration of war, which was then done according to our constitutional processes. Of course, once that was done we had both the executive and the legislative branches united in that decision about the necessity of waging the war effort.

Mr. McFarlane, I want to go back to a subject that we touched upon before. You were on the National Security Council staff from 1973 to 1977; is that correct?

Mr. MCFARLANE. That is correct.

Senator SARBANES. You then returned to the National Security Council in 1982, first as the Deputy and then as the National Security Advisor; is that correct?

Mr. MCFARLANE. That is correct.

Senator SARBANES. As a member of the staff and then as National Security Advisor, is it accurate to say that you had access to the most secret information and the most important of decisions made by our Government?

Mr. MCFARLANE. Well, on occasion I surely was exposed to many of them, yes.

Senator SARBANES. I mean, you would be one of a very small number, literally a handful of people in the Government at the level at which you were operating in terms of access to information and the significance of the decisions that were being made.

Mr. MCFARLANE. That is fair, I think, yes.

Senator SARBANES. Well, then, I am greatly concerned about the thought process that would take a person of that sort and place him in extreme jeopardy in terms of being seized as a hostage. I mean, you were very exposed when you went into Tehran in the spring of 1986, and I assume you perceived that yourself. Would that be correct?

Mr. MCFARLANE. It crossed my mind, and I do not mean to be facetious. [Laughter.]

Senator SARBANES. Was it your idea that you should go to Tehran?

Mr. MCFARLANE. No, sir.

Senator SARBANES. Whose idea was it?

Mr. MCFARLANE. I was asked to go by the President. I do not know through what process.

Senator SARBANES. Asked by the President himself or told by someone else that it was the President's wish that you go?

Mr. MCFARLANE. The latter.

Senator SARBANES. The latter?

Mr. MCFARLANE. Yes, sir.

Senator SARBANES. I take it you had some concern about your own personal safety in this circumstance; I think any reasonable person would. Would that be correct?

Mr. MCFARLANE. Well, there were, but at the end they were overcome by having thought through the self-interest within Iran of those with whom we would deal and not just the opportunity of the moment in my seizure but the longer term interest, their vulnerabilities and the extent to which we were important to them as a long-term matter. I concluded at the end that it was a prudent risk, and I believe today it was.

Senator SARBANES. Well, it may have been. I mean, one could make that judgment in terms of one's individual safety. After all, that is something you can place at risk if you choose to do so. People do it frequently, and we respect them for that.

What about, however, the fact that what was also being placed at risk was a person who had been in the very inner circles of our Government and, therefore, held and knew some of the most important information in decisionmaking? You are not talking about an ordinary individual in terms of his experience who is being placed in jeopardy.

I mean, if such a person were taken as a hostage, that would give the captors an enormous bargaining position, would it not?

Mr. MCFARLANE. Senator Sarbanes, these certainly do involve some very serious calculations. I think in the public discourse I simply want to assure you that I thought through those very carefully, and I do not believe that there was any remote possibility that advantage could have been developed from my seizure. That involved some things that I guess one just has to think through and prepare for. But I think we did.

Senator SARBANES. I see my time is up.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Simon.

Senator SIMON. I have just a few very general questions.

One is in response to the question of the comments of Senator McConnell. You mentioned heavy reliance on Israeli intelligence.

Do you have any general observations about the ability of U.S. intelligence agencies? Are we doing the job we ought to do?

Mr. MCFARLANE. Senator Simon, I think that our intelligence certainly is not perfect in every place of the world or in each category—human, scientific. I think the CIA is conscious of where its problems are, and is doing what it can to solve them. I would not deny and I do not think they would, that the 1979 revolution led to an enormous loss in our means to collect intelligence in Iran, and that still gives us an imperfect picture of what is going on in Iran. Faced with that, one has to begin a long-term process, which takes a generation, to replace it; but also, in the meantime, securing intelligence from others who seem to have some qualification—more than one—to cross-check, and to do the best you can.

In Iran, it is still woefully poor. But it is getting better.

Senator SIMON. But if you were President of the United States, you would not say that we need a fundamental rehearing and improvement of our intelligence capability?

Mr. McFarlane. No.

There are areas of intelligence that I found truly superb, and I think are a real credit to our country today.

Senator Simon. OK.

Then, second, as you discussed the arms sales to Iran, we have had Operation Staunch, trying to keep other countries from sending arms to Iran.

Was this obvious conflict in policy discussed in the National Security Council, what damage one would do to the other?

Mr. McFarlane. Yes, sir, with considerable emotion, reason, and logic by the Secretaries of State and Defense, and others, such as myself.

Senator Simon. Then, finally, a very broad question.

It appears to me, as I look at recent history, that foreign policy by and large has been a pretty bipartisan thing, not only bipartisan in terms of both parties, but in terms of the executive branch working with the legislative branch—up until the time that we got involved in Vietnam. Then, all of a sudden, there was some pulling apart, and a pulling apart that has never been fully repaired.

Is maybe one of the reasons for our present difficulty the fact that we have not had enough working together between the executive and the legislative branches as fundamental policy decisions are formulated?

Mr. McFarlane. I agree with that, Senator Simon. This can only sound self-serving. I think that is fundamental to any hope of getting what you are after. The irony of my sitting here in this committee today is, I believe that as a matter of record I spent more time in this body and the other body as National Security Advisor than probably all of my predecessors put together. That does not excuse in any iota the lack of discourse with the Congress on this particular issue, but I agree profoundly with what you have to say.

Senator Simon. And what has happened is really, well, you spent a great deal of time and the time is spent primarily after a decision is made.

Mr. McFarlane. No, it was before, in arms control and Latin American policy and Middle East policy. The need to engage before the fact with the Congress was a matter of routine in 1983, 1984, and 1985.

Senator Simon. I thank you. Thank you, Mr. Chairman.

The Chairman. Senator Adams.

Senator Adams. Thank you, Mr. Chairman. Mr. McFarlane, when I questioned you before about the development of the policy you indicated that the Secretary of State and the Secretary of Defense made their case. Their case was rejected. The President went on with the policy over their opposition and began to implement it.

My question is drawn from Secretary Shultz's testimony on the House side. Did you ever inform the Secretary of State during this period in the fall of 1985 that the policy was working or had not worked? Policy is a continuing thing: Did the Secretary of State know that the arms sales or arms shipment designed to reach a new rapprochement with Iran had not worked? Was he ever told about this?

Mr. McFARLANE. Yes, sir. I shared my knowledge with the Secretary of State, my misgivings, my hopes and fears, and in short we were colleagues. The specifics of what you say when Israel would come to an arrangement, be it September or November, this information when I had it was conveyed to the Secretary of State. I think his own notes are a matter of record that bear that out.

Senator ADAMS. Did you do this in some type of written form or just oral conversations. For example, I understand one arms shipment was rejected and sent back because of the age of the arms and markings on it and so on. Did you ever tell him that it had not worked at that point in the fall of 1985?

Mr. McFARLANE. Yes, sir. It was my recommendation in the wake of the incident that you mentioned in November 1985 upon or return from the summit in Geneva after I had briefed in the Vatican, Paris, and London, to the President that because this had gone off course he should convene his Cabinet officers and try to get it back on course by a meeting between Americans and Iranians directly to see if we really could validate personally, not through third parties, the bona fides of the people we are dealing with. He agreed, and we did, and that was a matter I discussed with the Secretary of State as well, and he supported that.

Senator ADAMS. So he knew that going into the period of time just before you left the Government that this policy evolvement had had troubles, you had recommended pulling back, he had recommended pulling back. All of this was then a Government policy of pullback by the time you left.

I am talking about when you were National Security Advisor, not later when you go to Iran.

Mr. McFARLANE. Yes, sir, I believe that's correct.

Senator ADAMS. I am just trying to determine whether anybody knew what the policy was. That is really my question, Mr. McFarlane. Are we suffering from the fact there was not a policy or was the policy there but nobody in the operating agencies was informed of it so they could participate?

Mr. McFARLANE. They did know what the policy was, and I think, Senator Adams, that in the public and private and testimony here that it has not been in the past 2 months a matter of the Secretary of State or Defense not understanding what the policy was. There was consciousness of the decision. It was obviously a disagreement with it but it was not a matter of not knowing what it was.

Senator ADAMS. Well, that was why I read you the part where he said "I was never informed and had the impression that they were never consummated." All I am trying to determine is if the policy—which as Senator Moynihan has pointed out was certainly not communicated to the Congress, which was started over the objection of the operating agencies—was clear. Some people seem to indicate that they did not know that the policy was changed at the end of 1985, and then restarted again in 1986. I am trying to determine who is running the show.

Mr. McFARLANE. In the time that I was in Government they knew what was going on. Once I left Government, it is out of place for me to——

Senator Adams. Obviously, once you leave Government, until you get the four-page instructions you—I understand that. I am not asking about that blank period, but what you are indicating to me is that there was a policy, the operating agencies were in disagreement, and so they went with a separate outside operation and created the National Security Council and the President's personal staff as a second operation.

Mr. McFarlane. I cannot confirm or deny. I have no knowledge on that point but by inference the—let me comment on something that maybe I wrongly take from your question. The idea that Cabinet officers while I was in the Government were not fully conscious of not only the decision but its effects seems to me to be counter to the simple logic. Would it have been reasonable for me, for example, without any Presidential approval, in the obvious opposition of the Secretary of Defense to tell Israel, "Yes, go ahead and deliver arms," and then you can come to the Pentagon and buy arms from the Secretary of Defense, who is fundamentally opposed to it? Clearly not.

It would have been inconceivable that unless there were Presidential approval any of this could have happened, and I do not think that I am so iconoclastic as to believe that I can manufacture TOW missiles in my backyard. I could not. I am sorry, I do not mean to be facetious.

Senator Adams. What I am concerned about and what the committee is concerned about is that the policy, as it was developed involved a second policy operating division within the Government which consisted of the President and a certain number of known or unknown people who were outside of the operating agencies. I am just trying to determine whether the Congress has to deal with two operating policy divisions or with the standard operating divisions with which the Congress and the American public are familiar, the President, National Security Council, Secretary of State, Secretary of Defense, or do we have another arm out here? That is what I think was happening to you and what led to an even further happening. What we are concerned about here, is there going to be another happening beyond that? That is the issue.

Thank you, Mr. Chairman. I would ask that the witness answer, please.

The Chairman. Mr. McFarlane, if you would care to reply, please feel free before we go on to Senator Moynihan.

Mr. McFarlane. Well, Senator Adams, I believe I have given you as full an account as I can of the process and the positions of the principal participants. While I served in Government, which I believe was in accord with normal process, really, and virtually every important criteria, but I simply cannot account for whether or not that process changed once I left. I am sorry.

The Chairman. Thank you.

Senator Moynihan.

Senator Moynihan. Mr. Chairman, again, in the spirit that you have convened this hearing, let us see what we can learn from all of this. I mention the view of our Committee on Intelligence that the mining of Nicaraguan harbors was a violation of international law. This was certainly the view of the World Court when the case went there. Law has long been a concern of this committee. Treaties come to this committee, and treaties under the Constitution are the law of the land. And the Constitution provides that Congress may enact statutes that reflect the law of nations. Obviously, the mining of harbors in a situation where there is no belligerency is a violation of that law.

I would like to ask you about The Hague Conventions and ask you about whether this came up in the way you make decisions. The Hague Conventions of 1907 codify what was existing traditional law with respect to the responsibility of neutrals and their relations with belligerents. If a neutral provides arms to one belligerent, the other belligerent has the right of reprisal. Under a treaty that is passed through this committee it is in effect statutory law. It seems to me that when we provided 2,000 TOW antitank missiles and F4 parts, that goes well beyond symbolic gifts of exchange. That could well change the balance of power in a particular kind of encounter. I do not have to tell a Marine lieutenant colonel that. Did anyone ask whether in the process of doing this, we were not giving the Iraqis the right to shoot down American airplanes on the expectation that they were carrying contraband? Did this ever come up? As you know, The Hague Convention is a law of this land.

Mr. McFARLANE. Senator Moynihan, the vulnerabilities both legal and political received a very thorough airing and I should say that the Secretary of Defense gave a rather eloquent portrayal of the not only legal considerations that could be invoked by Iraq but our own domestic law and its application.

Senator MOYNIHAN. The question came up as to of what Iraq might legally do in response?

Mr. McFARLANE. The specific possibility of a shootdown of an aircraft did not, although a rather thorough discussion did occur of United States policy toward Iraq, which had involved a certain tilt at a point in time, would be affected by the appearance of a tilt toward Iran. And as I have said a discussion of the law, both our own and international law, was part of this deliberation.

Senator MOYNIHAN. I wish it had been more persuasive but I am glad to hear that. And, Mr. Chairman, there are statutes here and the question is inportant. If we put the United States or American individuals and property at considerable jeopardy by unneutral acts in a situation of belligerency, that is an serious problem. I thank you, sir.

The CHAIRMAN. Thank you very much. The committee will go into recess now, but before going into recess I would like to say that we will ask formally from the administration for the four-page terms of reference but we appreciate your résumé of it. We would rather get it eventually directly from the administration than to read a copy in the press.

We thank you, Mr. McFarlane, for this open testimony and very much indeed for being with us.

The committee will now recess and move into the back room.

[Whereupon, at 12:18 p.m., the committee proceeded in executive session.]

UNITED STATES POLICY TOWARD IRAN

FRIDAY, JANUARY 23, 1987

U.S. Senate,
Committee on Foreign Relations,
Washington, DC.

The committee met, pursuant to notice, at 10:05 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Claiborne Pell (chairman of the committee) presiding.

Present: Senators Pell, Pressler, and Murkowski.

The Chairman. The Committee on Foreign Relations will come to order.

This is the third of a series of hearings on the Iran initiative, and today we will hear from Gerald Lamberty, president of the American Foreign Service Association.

His organization represents the 12,000 foreign service employees of the State Department and the Agency for International Development.

American diplomats abroad are the foot soldiers of American foreign policy. Our policymakers in Washington are usually ensconced in the relative safety of their White House cocoon, or the State Department and Capitol Hill offices. American diplomats abroad and their families live and operate in a world where they're often the easiest and most visible targets for acts of brutal terrorism.

Terrorists, who are really the world's greatest cowards, rather than take on their enemies directly, they prefer to wage war under the cover of darkness and secrecy against the innocent and unsuspecting.

They remind me of the Ku Klux Klan which operates under its cloaks as covers, covering their faces from the light of day.

Iran has been a principal purveyor of this form of cowardly warfare. Ayatollah Khomeini's regime has been linked to those who twice attacked our Embassy in Beirut; linked to the killers of 24 servicemen as they slept near the Beirut Airport; and to the terrorists who now hold six Americans hostages in Lebanon.

Iran itself held 53 American hostages in the American Embassy for 444 days, in violation of the fundamental principles of international law and the norms of human decency.

By trading arms to Iran for American hostages there, or in Lebanon, the administration has rewarded Iran for its cowardly, barbaric conduct. The administration, to my mind, has violated the basic tenet of its sound antiterrorism policy: That the United States will not make concessions to terrorists.

And even worse, the arms-for-hostages trade has provided an incentive for terrorists to take more hostages.

By its conduct, the administration has thus jeopardized all Americans abroad. Most endangered, however, are our diplomats.

Mr. Lamberty will tell us how our corps of professional foreign service officers see the arms-for-hostages trade affecting their own safety, and their families' and their children's safety.

I understand that Mr. Lamberty has polled his organization, and that many members have strong feelings.

In addition to describing the reactions of those who must conduct foreign policy in the field, I do hope Mr. Lamberty will provide the committee some guidance as to how we can repair the damage done by administration policy.

Clearly, full protection of American diplomats abroad is not possible. Indeed, it's part of the Foreign Service Office's contribution to this country that, in turn for an interesting, stimulating, rewarding job, he accepts certain inevitable risks.

But certainly we can do better than the amateurish, high-risk, self-defeating policy conducted in recent months.

As a first step, it seems to me we must remove any incentive for a terrorist to take another American hostage.

Senator Pressler, do you have an opening statement?

Senator PRESSLER. Well, thank you very much, Mr. Chairman.

May I, first of all, welcome the witnesses, and compliment you and staff on both sides for holding these hearings.

Let me just say, Mr. Chairman, now that we have our ranking member situation straightened out, I feel this committee should continue holding hearings on the Iran arms sale affair and other issues.

I was personally disappointed that we did not hold hearings in December, and I do not accept the philosophy that all of this should be left to the new select committee.

This committee has a definite role to play on this subject, and should very vigorously do its job. I certainly do not object to the Governmental Affairs Committee reviewing organizational structure over at the White House at the same time the select committee conducts its investigations.

What I'm saying, Mr. Chairman, in sort of an inarticulate way, is, there's an important issue before us: How much should this committee do while the select committee is doing its work?

I think we should do all that we would normally do and more. We'll certainly observe the select committee's work. But the leadership has asserted that the various committees should hold off.

So I just want to express that to you. That's one Senator's view which you may factor into your decisions.

The CHAIRMAN. Thank you very much, Senator Pressler. And I would observe that in December, when these things started blowing up, or late November, I recall asking that we should hold hearings at that time.

But without going into further depth, I don't think the then-majority thought it was an opportune time to hold them.

Senator PRESSLER. All right, whatever the reason was. I'm not in anyway criticizing anybody. I'm just giving this Senator's view of this matter.

The CHAIRMAN. I think you were right in asking for hearings.

Senator **Pressler**. So I do hope we move forward in this matter in a very vigorous way, which I'm sure we will.

Let me also welcome the persons from the American Foreign Service Association. I was once a Foreign Service reserve officer in the legal adviser's office until I was transferred over to GS status.

I think we've lost more diplomats in the last few years, either captured or killed or injured, than we have members of the military forces. Somebody might correct me on that.

Our diplomats serve in dangerous positions. They're exposed every day. And I think it's very appropriate that we're hearing from them.

Thank you, Mr. Chairman.

The **Chairman**. Thank you very much, Senator Pressler. I believe it does stand up to say that in the course of the last two wars, we still have had more Ambassadors killed than we have had generals and admirals killed in action.

And you are so correct, because they really are on the front line of our foreign policy. And I know, also speaking as a former Foreign Service officer of 7 years, I'm very conscious of their work. And every time I go by that plaque at the State Department, one hopes there's not another name added, in somewhat the same spirit as when I drive up to the Hill in the morning, I'm always glad to see that flag flying at full mast, knowing that none of our colleagues have died overnight.

So you hope you see no more names on that plaque when you go by the State Department.

Mr. Lamberty, proceed as you will.

STATEMENT OF GERALD P. LAMBERTY, PRESIDENT, AMERICAN FOREIGN SERVICE ASSOCIATION, ACCOMPANIED BY CHRIS BAZAR, LEGAL ASSISTANT TO GENERAL COUNSEL, AMERICAN FOREIGN SERVICE ASSOCIATION; AND RICK WEISS, CONGRESSIONAL LIAISON, AMERICAN FOREIGN SERVICE ASSOCIATION

Mr. **Lamberty**. Before I get underway, I'd like to introduce my two colleagues. On my right is Chris Bazar, who helps in the association; and on my left is Rick Weiss, who helps us understand the Hill, which you may appreciate, the foreign service thinks it needs as much help as it can get.

My name is Gerald Lamberty. I am the president of the American Foreign Service Association, known as AFSA. It's the professional organization representing the 12,000 foreign service employees of the Department of State and the Agency for International Development.

Our organization represents all foreign service personnel in these agencies at all levels, up to and including Ambassadors.

I'd like to take this opportunity to thank the committee, on behalf of our members, for securing passage 6 months ago of the Omnibus Diplomatic Security and Antiterrorism Act of 1986.

Foreign service employees appreciate the concern shown by the members of the Foreign Relations Committee by including Title VIII, Victims of Terrorism Compensation, in this act.

We also appreciate the Senate language in the conference reporting recommending that generous consideration be given to William

J. Calkins, that Department of State communications officer who was shot by terrorists in the Sudan in April 1986.

I am honored to appear before the committee to urge that we reestablish the credibility of our Government's policy that hostages should not be ransomed.

Our people overseas believe that this credibility has been seriously damaged by recent events. As one of our posts in Latin America cabled to AFSA recently, "We are dismayed by this open invitation to kidnap."

The purpose of the foreign service is to represent U.S. interests overseas. It is crucial to the national interest that we be able to perform this role in the most dangerous places, where we are already subject to attacks by terrorists who seek to publicize their causes by bombing our Embassies and shooting our diplomats.

The last thing we need is to create the perception that it is profitable to take official Americans hostage. If this perception continues, not only will our lives be endangered, but our ability to perform our vital mission will be seriously undercut.

Some argue that the United States must preserve a capacity for secretly ransoming hostages taken overseas. Certainly, it will not be kept secret from terrorists who will receive the ransom, nor probably from the terrorist network throughout the world. If terrorists know that taking U.S. officials hostage pays, more kidnapings will follow.

Others have said that it is a mistake for the U.S. Government to publicly proclaim its opposition to paying ransom. Apparently, these individuals believe that such statements make it difficult for the United States to ever pay ransom.

That is precisely the result which we in AFSA want. Those of us serving in dangerous posts overseas are very pleased when senior U.S. governmental officials publicly proclaim that we will not ransom hostages.

We want that point made as publicly, as strongly, and as often as possible. Our concern is that there might be some terrorist group that doesn't get the word or doesn't find it credible.

The extraordinary controversy resulting from the arms shipments to Iran paradoxically could turn out to help reestablish credibility of our no ransom policy. Certainly, the public uproar caused by this episode should keep U.S. officials from violating the no-ransom policy in the future.

We sympathize with the families of kidnap victims, but believe that paying ransom will only increase the number of such families. Our association fully supports all efforts to combat terrorism, from negotiations, not ransoming, to the judicious use of military force.

Unfortunately, we have a telling example of what happens when a policy of ransoming hostages is put into effect. Many American business firms operating overseas pay ransoms routinely to free their kidnaped employees. Not only have these firms ended up having to budget large amounts to cover the payments and/or high insurance premiums, but they have found that paying ransoms only encourages more kidnapings.

The result has been a sharp reduction in their personnel stationed abroad.

If we do not reestablish the credibility of our policy of not ransoming hostages, we will undoubtedly have to reduce our official presence overseas. AFSA believes that reducing our diplomatic presence in crucial areas will seriously impair the ability of the United States to conduct its foreign affairs.

It is ironic that the Foreign Service, so often criticized for taking positions which are not as tough as others in and out of Government would prefer, in this case urges that the United States take a tougher position than others would prefer.

AFSA polled its members throughout the world asking their views on ransoming hostages. We received almost unanimous support for the no-ransom policy. Quotes from individual employees are attached to this testimony.

We are very proud to live in a country in which the public, the Congress, and the President become personally concerned and involved when an individual American is held hostage anywhere in the world.

We only ask that this laudable concern be tempered by appreciation of the harsh realities of international terrorism.

We urge that strenuous efforts be made to reestablish the credibility of our policy of not ransoming hostages. Vice President Bush's speech of January 20 is a good step in this direction.

I'll be pleased to take any questions.

The CHAIRMAN. Thank you very much, Mr. Lamberty. And without objection, I would ask that that be inserted in the record, the sampling of Foreign Service views on ransoming hostages that you included with your statement.

Mr. LAMBERTY. Thank you.

The CHAIRMAN. I think from your testimony, as I read it and hear it, it seems to me that we come to the conclusion that by turning its policy over to amateurs, the administration has placed our country's entire corps of professions, foreign service professionals, at greater risk.

It reminds me a little bit of the *Mayaguez* incident where we lost more men in rescuing our men than we retrieved at that time. And I think that to engage in any kind of negotiations for the release of hostages with terrorists means that in the end, we will lose more than we will have gained.

The polling that you did, if you could break it down a little more than you did in your statement. What were the actual percentage of people who replied, and how did they go? Or do you have specific results you'd like inserted in the record?

Mr. LAMBERTY. Let me tell you the procedure we used. Back in November, I think it was, we did a press release, giving in summary fashion more or less what I said today. And we sent it routinely to our membership through the world.

And in response to that, we got a small reaction, because we didn't ask for a reaction.

And then some weeks ago when I was asked to testify, we sent another circular to the field asking them to respond, and we got back answers, I think, from well over half of our posts. And it's difficult to do better than that, because we are not well organized at every post. There is so much movement in the service that we don't always have an AFSA representative operating at each post, so that we don't have a quick response.

But we did get an answer from about half. And it was almost unanimous. I say that, almost unanimous; there were two responses which indicated that at that post there was a small minority which said that we should not get engaged in this sort of an effort.

But even in those posts, the majority, vast majority, were in favor of our position. And in all the other posts that responded, they were unanimous in support.

The CHAIRMAN. Maybe you could submit to us later to insert in the record a more specific accounting of the results of that poll.

Mr. LAMBERTY. OK, we'll do that.

[The information referred to appears in the appendix.]

POLL BY AFSA REGARDING RANSOMING OF HOSTAGES

90% of the posts responding to the AFSA poll voiced unanimous support for our no-ransom position. In the remaining 10%, a large majority of post members concurred with AFSA, but there were isolated cases of dissent.

The CHAIRMAN. In taking it, did you also include AFGE members, American Federation of Government Employees, who are overseas?

Mr. LAMBERTY. No, because they, the AFGE employees who would be overseas, would be employees of the U.S. Information Agency. And those employees, many of them, are members of AFSA as well.

And so, therefore, the response really came in the AFSA side, and we didn't have to do it through AFGE.

The CHAIRMAN. Since I'm going to have to be here until the hearing concludes, I would defer to my colleagues at this time. I don't think we need a 10-minute rule, since there are so few of us. Senator Pressler.

Senator PRESSLER. Well, let me ask a few questions about the nature of the Foreign Service Association. I know it represents the people who work in the State Department, the Agency for International Development, and so forth.

I do not necessarily know, or I would be in some disagreement with my chairman, on whether this administration has turned it over to amateurs. I think in our Ambassadors, it's good to have a mix of political and professional people.

I remember once President Kennedy said that our Foreign Service—or Ambassadors, should have representatives who are artists, businessmen, and so forth. I believe the record would show that President Kennedy perhaps appointed more political Ambassadors than any other President. I think the present President is close to President Kennedy's record.

I'm not necessarily arguing about that. But let's start with Ambassadors. This is not the purpose of the hearing today, necessarily, but what is the American Foreign Service Association's position on political versus professional Ambassadors?

Mr. LAMBERTY. Well, our position, as you could imagine, is that we think the professional Ambassadors do a better job. We think that diplomacy and life overseas in the Foreign Service is a profession.

And we feel that professionals ought to do it.

Now, that isn't to say that we do not believe that some of the political appointee Ambassadors that we've had over the years, a Mike Mansfield, Bruce, et cetera, do not bring a dimension—or a Harriman—do not bring a dimension to the Foreign Service that it is very hard to develop in a career service. And there is no objection to that sort of a nominee.

But what we have had over the years in the Foreign Service, with a new administration, we've always had a lot of new political appointee Ambassadors. And usually, as the administration matures, and there's always initially tension, whether it's Republican or Democrat, between the new administration and the Foreign Service.

And that tension usually eases over the years as experience develops, and they come to realize that although we have an attitude and an outlook that is colored more by international relations than it is by domestic politics, that we're pretty good.

And we learn also from the input, the domestic political input, which I will be the first to admit, we are not very good at.

And so it seems to me that this tension eases, and we come to understand each other and do very well. And I think we are appreciated, especially later on in any administration.

So generally speaking, in answer to your question, we prefer career Ambassadors. And I suspect you might say we would have the same attitude toward political appointee ambassadors that the relevant professions would have if an administration tried to appoint political appointee FBI chiefs, political appointee CIA station chief, political appointee Army generals, Navy admirals.

We think of ourselves as a profession, and we would like to be treated as such.

Senator PRESSLER. I certainly have no criticism of career Ambassadors. In fact, I chaired over 30 hearings, when I was chairman of the European Affairs Subcommittee.

It's a debate that has a lot of merit. I tend to think a good mixture is a very healthy approach. At this moment, in places such as Italy with Max Rabb, we have very skillful diplomats.

I recently met with Michael Sotirhos in Jamaica. Our Ambassador in France is taking a lot of initiatives with the business community.

So there are good points on both sides of this issue. Analogously, one might argue that certain posts in Washington, DC, might be better filled by somebody who's had a career in the Department of Agriculture, rather than somebody who is a political appointee. But I would tend to disagree with that.

But anyway, getting on, what can we do to protect our diplomats abroad? We're talking about terrorism. Are we not doing things that could be done, specifically?

Mr. LAMBERTY. I think the Congress has been very forthcoming. I probably shouldn't say that too clearly now, because I understand my secretary right now is testifying on the budget side, and the results there might not be exactly supporting what I'm saying.

But the response to the Inman report on security in our Embassies overseas, and the amount of money which, in a very difficult budget year, the Congress has been willing to come up with, it seems to me is a proper response.

When you're talking about terrorism, however, you're talking about something from which you can never make yourself fully secure. And when you're living overseas in another country, you can have as many U.S. Marines as would be permitted, and you can have as many of your own security people, and you can have as high a wall as you want, but you really can't protect yourself against all situations.

And if you're in a situation there where the local government cannot or will not protect you, then you cannot be protected.

But let me give a little anecdote on how life in the Foreign Service has changed. I have served in Peru twice. The first time I was there, in 1966 to 1969, our Ambassador, whose residence is about 10 blocks down the street, straight down the street from the Embassy, would walk, by himself, every morning, down that straight street, and walk back every night, virtually the same time everyday, to and from work.

When I came back in 1980, the Ambassador would come out of his residence, the same residence, the same Embassy, either the front or the back of the residence, in an armored car, with a follow-on car with about three guys with submachine guns, and they would take one of five or six different routes, on a random basis, to go that straight route down to the Embassy.

And that, to me, sort of epitomizes what has happened to life in the Foreign Service.

And similarly, all of us further down the totem pole there, would have to make equal adjustments in our way of life. And from earlier posts, I had the pleasure, if you will, of taking little daughters down to the beach with a bodyguard, with a gun sticking out of his belt—and other things of that nature.

Now, I'm not trying to portray this as an impossible situation. I think the Foreign Service has adjusted to this. This is a new reality in most posts, including Europe. And I think we are doing, on the protection side, about what needs to be done, or at least we have it in train, and it should be finished.

Senator Pressler. Well, let me say, I very much sympathize with that. As one who lives on Capitol Hill, and recently had our house burglarized, I can say that even Washington, DC, has a lot of problems. But not as many as some of our people experience overseas.

Whenever I'm abroad, I always make it a point to meet with the Foreign Service officers and ask them how the Foreign Service Act of 1980 is coming along.

As I recall, at that time the Foreign Service Association testified in favor of the reform bill or the so-called bill of 1980—was it 1980? And back in those days, everybody seemed to like it.

Now, there are many complaints coming in about the selection-out process and so forth.

I guess the first reaction to the bill was, everybody got a pay raise, or the grades were changed or something; so maybe that made everybody happy.

Now, inevitably, there is a bulge in the upper grades, as I understand it. And as happens in the military, there isn't enough promotion room for everybody.

Does the American Foreign Service Association still support the bill, or have your views of it changed?

Mr. LAMBERTY. We have no problem with the bill. Our problem is with the implementation. And in this regard, it is not a partisan issue.

I like to think it is characteristic of the Foreign Service that kind of on a 15-year cycle we return to a policy of sort of masochism, if you will, in our personnel system.

And you mentioned——

Senator PRESSLER. A policy of masochism?

Mr. LAMBERTY. Yes, we like to beat on ourselves in personnel terms.

Part of this has to do with the feeling in the Foreign Service, which some of you may have come in touch with, that having passed an exam, having a selection-out system, we consider ourselves sort of a superior-type government servant.

And we think that we will only remain that kind of better public servant if we continue to have this process of getting rid of the deadwood and the not so competitive. And that if we ever stop that, we will become less good.

And that, every once in awhile, spills over, I think, into excesses.

What you mentioned, the bulge, I think is one of the things that people have said over the years, that there was a bulge. In reality, if we look at statistics, there are 200 fewer senior officers now—or about 30 percent fewer now—than there were 20 years ago. And there's been a steady decline since then.

What has happened, really, is that we've put a great emphasis on managerial experience. And so consequently, the substantive side, I think, has been downgraded.

For example, going back to Peru again, the first time I served in Peru our substantive chiefs in the economic and political section were both senior officers, and the deputy chief of mission, our chief career man, was a senior senior officer.

When I returned in 1980, the downgrading of the substantive side had already occurred, and both the political and economic chiefs were not senior officers; and the deputy chief of mission, which was my job at that point when I returned, was at the lower level of the senior service.

So it seems to me that we have made it more difficult to survive in our system as a substantive officer, your experts.

I think this subject was touched on by one study recently by Ambassador Monty Sterns, on what has happened to the language skills in this regard.

I have a long speech I could make on this subject, but I'm not sure it's appropriate to get into it today.

Senator PRESSLER. But what does it boil down to in legislative terms. Is there nothing we can do?

Mr. LAMBERTY. I don't think there's anything that needs to be done legislatively.

Senator PRESSLER. OK, fine, that's what I was getting to.

Mr. LAMBERTY. The act as written by very good law writers permits; it doesn't require. It permits a lot of things.

Senator PRESSLER. Thank you very much.

The CHAIRMAN. Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman.

Mr. Lamberty, what would be the position of your organization had the hostages, the five or seven or whatever number—because they seem to come and go—if the administration had been successful and they had been released?

Mr. LAMBERTY. I don't think it would have been that different.

Senator MURKOWSKI. I see, you would have probably been writing a dissertation indicating some very self-evident facts such as, we would urge that we reestablish the credibility of the Government's policy that hostages should not be ransomed; that the last thing we need to create is a perception that it's profitable to take official American hostages; that we sympathize with the families of the kidnap victims but believe that paying ransom will only increase the numbers of such families. Which really are self-evident conclusions that anyone that deals with the realities of hostages is aware of the consequences of such a policy.

But I'm curious here in the tenure of your presentation before us you're very critical of self-evident policies associated with how you handle terrorism.

But so that we make it very clear, you would be critical regardless of whether the hostages were released or not?

Mr. LAMBERTY. Certainly.

Senator MURKOWSKI. OK. What would you suggest be done in the case of a hostage situation such as this? Because again, your criticism of the administration's handling is certainly noted.

But I think those who criticize also have an obligation to suggest alternatives. Now, the administration has what, the last time around, sought a budget increase in the security. For various reasons, Congress did not support that. We can't blame that on the administration.

The administration, I think, has attempted to influence our allies to embargo those countries that harbor terrorism. And that wasn't effective. We saw the reaction of Italy and we've seen other countries with regard to Qadhafi's activities, the idea being, and it happens to be a position that I believe in, that no country can live alone anymore.

We're all dependent on another for something, so if one country harbors terrorists, why don't we embargo? Isn't it a responsibility of your organization to suggest to the administration a responsible alternative, since you say this is wrong?

What is right?

Mr. LAMBERTY. Well, I think it's implied, if not relatively clearly stated there, what we think is right, is not ransoming, or not giving the hostages——

Senator MURKOWSKI. I understand that. That's very clear in your presentation.

Mr. LAMBERTY. OK. And we think that anything else that you can do short of that, military——

Senator MURKOWSKI. I know. You're a group of professionals that have the responsibility to communicate back through the succession of—through the Embassies to the Secretary of State and so forth.

And if there's any group that has better suggestions to the Foreign Relations Committee, it should be your group. And I think your presentation lacks any positive recommendations, and I'm disappointed that it doesn't.

Mr. LAMBERTY. Sure, but every hostage situation is individual.

Senator MURKOWSKI. That's true. But every policy with regard to hostages that you've enunciated as being not appropriate is a self-evident fact.

Mr. LAMBERTY. Sure, but we have one overriding concern, and that is the credibility of our policy, which we think the perception around the world is that we no longer have that policy. And we want that credibility reestablished.

Because until it is, there will just be more hostages.

Senator MURKOWSKI. This policy was circumvented in what I think we would both agree would be a humanitarian concern for the hostages. That was the motivation.

Mr. LAMBERTY. Sure.

Senator MURKOWSKI. We're all aware of the exposure when you depart from that policy. But I think your organization also has an obligation to suggest the most appropriate or perhaps prioritize other alternatives to address the hostage issue.

We've had hearings that have been held before this committee on hostage matters before. But this is the first time since I've been on the Foreign Relations Committee that we've had the pleasure of professionals who are exposed to the threat, and I really feel that it would be very helpful if you could provide the committee with specific recommendations, as opposed to being opposed to something that is evident, as to what we should do.

Should we, as a priority, use the embargo concept? Should we use other influences and leverage that we have capabilities for? What should we do?

Mr. LAMBERTY. I would be in favor of using whatever levers we have, through the military——

Senator MURKOWSKI. Well, I know, but you say, whatever. You're proposing that here are people who are not professionals in your business. You are much more capable of coming up with recommendations than just generalizing to us.

Mr. LAMBERTY. Sure, but we're talking in general; we're not talking about specific cases at the moment.

Senator MURKOWSKI. We're talking about policy. What is responsible, recognized policy to combat terrorism today in the mind of your professionals that belong to your organization?

Mr. LAMBERTY. Let me try it once more.

There are various tools which can be used against various countries in different circumstances. We think that all of them ought to be used.

And you talk about the embargoes. I like, and my association believes, that military force when appropriate is perfect. And it is a little difficult, I find, however, to give you a prescription more specific than that, when we're not talking about a specific case.

Senator MURKOWSKI. Well, in your statement, I think it's fair to say, that you make reference to reestablishing credibility, and the association is obvious. So it's not necessary to relate in any depth to what you're referring to.

But I think, as well, that it would be helpful to the committee if there were a positive note to your presentation. Because it does represent the input of outstanding, committed professionals.

And I don't disagree with your conclusions about the fact that we made a tactical policy error. But I am very realistic of the pressures that the President, the administration, were under by continually being exposed to families of the hostages; the President finally probably saying, "For God's sake, let's do something. We've got to do something for these people because they're going to be killed."

And then the process starts in of the end justifying the means, and we find that, well, maybe there's some way that if there's a succession of the Iranian government—and the process begins, and pretty soon, bingo.

If it had worked, I don't necessarily think you'd be here today making the statements that you're making, because we wouldn't have the cause celebre. But that's neither here nor there.

The risk is very high. We've seen the repercussions. But I think really what we need is more input on what to do about the problem.

Mr. LAMBERTY. Well, I think we hinted at that in the last line of our statement when we said that the Vice President's speech the other night is a good first step.

Senator MURKOWSKI. The Vice President's speech said, basically, that we will not do this again.

Mr. LAMBERTY. That's right.

Senator MURKOWSKI. And the Secretary of State has enunciated that.

Mr. LAMBERTY. But you have to say that a number of times——

Senator MURKOWSKI. That's not what I'm asking for, and I don't want to take any more time, because I know the chairman has to leave.

What I'm asking for is your recommendations on what to do about it. It's here today. We're going to have to live with it. This isn't the last time it's going to happen. And we still don't know what to do about it. We don't know what to do about terrorism.

Mr. LAMBERTY. Well, I think it does not behoove me as the head of a professional association to come up with concrete recommendations. My membership wouldn't think——

Senator MURKOWSKI. If you people can't do it, I don't know where it's going to come from.

Mr. LAMBERTY. Well, you have the Secretary and——

Senator MURKOWSKI. You people live with it. You're here before a congressional committee. You can say anything you want.

Mr. LAMBERTY. Well, we can say anything we want, representing our members on professional interests; not taking on a foreign policy issue.

Senator MURKOWSKI. This is terrorism. It's a world problem. It's not a foreign policy issue in the sense of making—we're asking for a recommendation, or a series of recommendations, from you professionals that are exposed to it.

If that group doesn't know what it would suggest, we begin to prioritize or begin to be more receptive to, as the answer to terrorism, all I can say is——

Mr. LAMBERTY. But I don't want to underestimate the importance of our prime objective, which is to have the U.S. Government reestablish the credibility of not ransoming. That is very, very important, because that will cut down immediately a——

Senator MURKOWSKI. Well, sure, it's important. It's self-evident. It's self-evident that the risk that departed from it was based on a humanitarian instinct that didn't work.

Mr. LAMBERTY. But if you go back in our history in the foreign service, in the early sixties, there were a lot of kidnappings. There have been very few lately. And we don't want to go back to those earlier periods.

Senator MURKOWSKI. I think to expect Government, in the sense of a congressional response, to come up with the answers that are necessary and needed without the input of the people who are exposed to the problem, who live with it, whose families are terrified by it, to me, that's what this committee needs.

And I think to jump aboard and just be critical of the administration for departure for a policy that was foolhardy is a self-evident criticism that everybody's aware of.

I think you have to recognize the humanitarian interest which was evident here, and try to come up with some positive suggestions to address world terrorism.

Mr. LAMBERTY. Well, let me make one last attempt.

If you notice in the testimony, we take on some of the experts who have suggested that we should retain a capacity for secretly ransoming; and others who have said it was unwise to make public statements that we do not ransom hostages.

And these are people with some standing who have made those suggestions in editorials and otherwise. And those are people who would say, don't have a policy of not ransoming, because it makes it embarrassing when you want to ransom somebody.

And that's not the administration's position, and we hope it doesn't become the administration's position.

Senator MURKOWSKI. I understand.

The CHAIRMAN. Thank you, Senator Murkowski.

As I understand your views, it would be that in the case of hostages taken in the future, the U.S. Government should engage in no negotiations with those who took them; but if they can identify the country or the group that has a responsibility for having done this, then one would engage in pretty agressive and extensive military action against those people.

Would that be correct?

Mr. LAMBERTY. Let me start with the use of the word "negotiation." In our first release, we said—and I think the Department's official position says—no negotiation with hostage takers.

It's possibly a semantics problem, but we believe that there should be some sort of dialog. And in the Vice President's speech, he does talk about the difference between conversing and negotiating.

And it seems to me that if you have any sort of a situation where you have a barricade situation in downtown Washington, where somebody's holding hostages, you want to have some sort of dialog with the person, just to hope that you can reach them. Not that you're negotiating about what they're going to get in exchange, but at least that you're in contact to see whether there's some flexibility, some—at least a delay, so that other human factors can come in to help you.

So in that sense, we're not against communication with the hostage takers.

The CHAIRMAN. Well, what you're against is ransom.

Mr. LAMBERTY. Right.

The CHAIRMAN. For conversation, against ransom; is that it, basically?

Mr. LAMBERTY. Right. And also, we, on what one should do, if you can follow the hostage taker right back to a government, it seems to me that there are certainly other factors that would have to be taken into account as to what would be appropriate U.S. Government response.

But it seems to me that unless we can make it clear that there is a price for taking our citizens hostage, it's likely to continue going on.

The CHAIRMAN. But you could concur that if the responsibility can be established satisfactorily, then a military response is perfectly in order?

Mr. LAMBERTY. Yes, provided all other factors and alternatives have been taken into consideration.

The CHAIRMAN. Would you distinguish between the situation of hostages who are officials, Foreign Service officers, as opposed to those who are private citizens? Or should they all be treated alike?

Mr. LAMBERTY. Well, I don't think I'm in a position to talk about what the U.S. Government ought to do for——

The CHAIRMAN. No, I'm just saying, your own personal view, opinion.

Mr. LAMBERTY. Well, it seems to me that in this most recent case, there was only one U.S. Government official among the hostages, and the others were private citizens. And the U.S. Government official reportedly was killed fairly early on in the exercise. So, that most of the activity was done for the civilians but the perception in the world is that the policy applies to both.

The CHAIRMAN. And what about enlisting the help of other countries? Specifically, would you rule out asking Kuwait to release the prisoners who've been specified, as you know, as the price for the release of the U.S. hostages?

Mr. LAMBERTY. That seems to me, although when one uses the term ransom you think first of money, it seems to me that anything of value to the hostage takers should not be given to them; and in this case, the release of those prisoners was of considerable value to the hostage takers, and I would hope that they would not get that thing of value.

The CHAIRMAN. So they would be included under the rubric of ransom, is that right?

Mr. LAMBERTY. Yes, certainly.

The CHAIRMAN. Incidentally, when I was talking about amateurs, and saying that by turning our policy over to amateurs, the administration has placed our country's entire corps of foreign service professionals at greater risk, there I'm not talking just about political ambassadors.

I would agree with my colleague, there's always room for a few highly qualified individuals from outside the Service; it's a question of degree. Should it be 40 percent? 30 percent? 20 percent? Or as I think, 10 percent?

But when it comes to making policy, I'm afraid Foreign service officers do not have much opportunity to make policies. Ambassadors don't make policies any more. Policies are made in the warren of the White House.

And I think, particularly in the past—this is where the error came—in the National Security Council. And what I'm talking about here are amateurs in the National Security Council.

I think I'm correct in saying that out of the 100 or so people who are there, there are only 2 or 3—maybe you know the number—of Foreign Service professionals who are engaged in that operation.

Is that correct?

Mr. LAMBERTY. There were not very many Foreign Service professionals in NSC at this time.

The CHAIRMAN. Do you happen to recall how many?

Mr. LAMBERTY. I don't know the exact number, Mr. Chairman.

The CHAIRMAN. Well, then, I would ask the staff to find that number from the administration and insert it in the record here, the total number of professionals on the staff, and the number of those who were Foreign Service officers, at the time these events took place.

I believe the new National Security counsellor or Director, Mr. Carlucci, may have changed this, and I believe, certainly will.

As one who has been both a civil servant, a military servant, a foreign servant, and now a political servant, I sympathize a great deal with the points that you are making.

I'd like to touch for a moment on the legislation, the adequacy of our 4-year, almost $2.5 billion, program to enhance the security of our Embassies abroad. I agree with you, this can be radically cut in the budget. But as we passed it, do you consider that that bill is adequate? Should additional steps be taken?

And do you feel that the initiatives we took in this bill have been derogated by the actions with Iran?

Mr. LAMBERTY. I think as I said before, Mr. Chairman, it is well that we spend that money, because one should take whatever precautions one can.

However, it is virtually impossible in someone else's country to provide enough security for our personnel living there. And so you have to depend on, first of all, the other country; and second, on this hostage side, the general policies of our Government, and the perception of those policies throughout the world.

And that is why we come back to this strong emphasis on having a credible no-ransom policy, because regardless of how much money we've spent to strengthen the security of the Embassy building and the residences and the transportation and security for personnel in general, it is always possible to kidnap people quite easily in not only the Mideast but in Latin America, Europe, wherever you want.

The CHAIRMAN. But this bill, you think, is pretty good the way it is. You have no particular specific changes?

Mr. LAMBERTY. No problem.

The CHAIRMAN. Off the subject, but going back to a point you made earlier, the thought that if there are people who have a philosophy akin to that of the President, general ability, leadership qualities, that they should be rewarded by confirmation by the Senate, by appointment to that status, your thought that it might be a general or an admiral is an interesting one.

Because, frankly, the professionalism that's needed to be a good ambassador I think is not much less than that needed to be a good general or a good admiral.

But this is an idea that has been expressed rarely in the past, but it has merit.

Are there any additional statements that you care to make?

Mr. LAMBERTY. I have nothing further.

The CHAIRMAN. Well, then I would ask that the statement by Senator Mitch McConnell be inserted as part of the record, and that the record be kept open for the next couple of days so that any other Senators may be able to insert a question.

And I would hope that you would answer that question for the record at that time.

Mr. LAMBERTY. Certainly, Mr. Chairman.

The CHAIRMAN. Since there are no more questions, this hearing is recessed.

[Whereupon, at 11:00 a.m., the committee recessed.]

UNITED STATES POLICY TOWARD IRAN

TUESDAY, JANUARY 27, 1987

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met at 10:05 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Claiborne Pell (chairman of the committee) presiding.

Present: Senators Pell, Biden, Sarbanes, Kerry, Simon, Sanford, Adams, Helms, Lugar, Boschwitz, Murkowski, Trible, Evans, and McConnell.

The CHAIRMAN. The Foreign Relations Committee will come to order.

The first item of business is to welcome our new ranking minority Member, Senator Helms.

Today we will hear from Secretary of State Shultz in the culmination of a series of five hearings our committee has held on the foreign policy aspects of the President's initiative toward Iran. The Foreign Relations Committee's inquiry is not focused upon the admittedly important matter of the Iran-Contra scandal, which is being well handled, I would add, or will be well handled by the Select Committee.

But what we are focusing upon is an examination of the policy assumptions underlying the Iran initiative. We have explored the question of whether there are moderates in the Iranian government and whether a dialog can be established by selling them weapons. With our witnesses we have also discussed the consequences of the initiative for the Iran-Iraq war, American regional interests, and American antiterrorism policy.

Our committee hearings have served to highlight the serious damage that secret arms sales to Iran have inflicted upon a whole range of U.S. foreign policy interests. Even at its most basic level as a means to free hostages, the Iran initiative did not succeed. Today three more Americans are in the hands of terrorist kidnapers than there were at the time the administration embarked on its policy of ransoming American hostages with arms.

But at this hearing I would like to think in as positive terms as we can and shift the focus to the future. We are more interested in how we can repair the damage done to American foreign policy by the Iran arms sales and how we can develop a more rational constructive policy for the vital Persian Gulf region.

Our witness today, the Secretary of State, is obviously eminently qualified to speak about just such a policy. At the inception of this whole affair Secretary Shultz had the good sense to oppose and continues to oppose arms sales to Iran. So, now I would add that I have complete faith in you and regard for you, and it is up to you to pick up some of the pieces of our foreign policy. It is a difficult task.

As I see it, your agenda will include: Reversing a perception in the Near East region that Iran has again humiliated the United States; second, to stop any further erosion of operation Staunch; third, to deal with the possible consequences of an Iranian victory in the Iran-Iraq war, a victory that could be made more likely because of the weapons that we have given them; fourth, to establish or reestablish the credibility of U.S. security guarantees; and, fifth, to restore the credibility of U.S. counterterrorism policy.

It is, I believe, important to recognize that the failings of the Iran policy as institutional. Before we can repair the damage done by the initiative, we must have in place an institutional framework which leaves more of our foreign policy implementation to the professionals. Foreign policy must not again be left to those with their own agenda, carried out without regard to the national interest.

Above all, you will have to take the lead, Mr. Secretary, in restoring a sense of direction and competence to the conduct of U.S. foreign policy. I believe I speak for many of my colleagues when I say they share my huge confidence in your ability to do so. We wish you well, but, more than that, we want to work with you on behalf of a policy based on sound principles of which we can all be pround.

Senator Helms, do you have an opening statement?

Senator HELMS. Yes, I do, Mr. Chairman. Thank you very much.

These hearings concerning U.S. policy on Iran can be both useful and constructive, especially if we resist the temptation to duplicate and to extrapolate upon the responsibility of the Select Committee headed by the distinguished Senator from Hawaii, Mr. Inouye.

Certainly the tragic events over the past few days in which more American hostages have been taken in Beirut underscores the importance of obtaining a full and accurate understanding of the situation as it exists in Iran and the global terrorist infrastructure which Khomeini's regime has created. The American people have every right to know the truth about the situation in Iran and about American policy toward Iran.

Our committee, I might say, Mr. Chairman, has a constitutional duty and a responsibility for oversight as well as for participation in the foreign policy process. Now all of us on this committee and all of us in the Senate on both sides are concerned about our Nation's security and well-being. We may have our differences on a number of policy matters, but there are areas where I believe we can and should proceed on a bipartisan basis.

International terrorism is certainly one of them. Those around the world who seek to do harm to our fellow citizens and who seek to jeopardize our vital national interest should know that throughout the history of America the people of America have always stood together in times of crisis.

Mr. Chairman, I noted with interest and appreciation over the weekend that you indicated that should military action be needed in response to terrorist activity you would not rule it out. I share that view. In fact, back in 1985, during the TWA 847 hostage crisis

I pointed out on the floor of the Senate that in January 1985 Iran, Syria, and Libya had convened a foreign policy strategy meeting, conference, in Tehran to map out a global terrorist strategy against the United States. I also pointed out information that had reached me, very credible information, showing Iran's direct responsibility for this hijacking.

Now, Mr. Chairman, we simply must not ignore the fact that Iran, Syria, and Libya are in fact at war with this Nation. Terrorism is a weapon that these countries have selected in order to pursue this war.

I thank you very much.

[The prepared statements of Senators Biden and McConnell follow:]

PREPARED STATEMENT OF SENATOR BIDEN

Senator BIDEN. I appreciate this opportunity to testify on American interests in the Persian Gulf and the importance of some recent developments there. Chief among these is the Iran-Iraq war, whose continuation threatens the stability of neighboring states and the pursuit of our interests in the region. The outcome of this war will affect the strategic shape of the Persian Gulf and Middle East for years to come. It is therefore important to focus on U.S. policy toward the war and the region at large.

Stability in the Persian Gulf matters to us for three reasons. First, it is critical to the economic health of the West. An interruption in the flow of oil, or control of these energy resources by an unfriendly power, could have devastating effects on the pattern of world trade and on our economy. Second, our interests would suffer greatly if Iranian expansionism were to subvert friendly states or otherwise boost anti-American forces within the region. Third, as part of the strategic crossroads of the Middle East, this area must not come under the domination of a power hostile to the United States and its allies. Therefore, America's near-term priority is to reassure the gulf Arab states of our support and to stand fast on our antiterrorism and arms embargo policies.

Since the beginning of the Iran-Iraq war in September 1980, the United States has sought the earliest possible end to the conflict—one which would secure the independence and territorial integrity of both countries, as well as security for third parties in the region who now are directly threatened by the conflict.

We have pursued these goals through the following policies:

We have been denying munitions list equipment to both Iran and Iraq. There was a limited exception to this policy, as you know. There will be no further exeptions—no more transfers of United States-origin military equipment to Iran, either directly or through any third party.

We are supporting all reasonable diplomatic efforts to encourage Iran to abandon its unwillingness to negotiate an end to the war. These efforts have included U.S. encouragement of the U.N. Secretary General, the Non-Aligned Movement, and the Islamic Conference—which is holding its summit in Kuwait this week. The problem has been lack of Iranian interest in any peace proposal—except on Iranian terms.

Therefore, we are also energetically pursuing efforts to inhibit the resupply to Iran from third countries of significant weapons systems and spare parts which might enable Iran to carry the war further into Iraqi territory. This is our Operation Staunch, which we will continue to pursue in an energetic and determined manner.

Because of our concern over the possible spread of the Iran-Iraq conflict to third countries in the gulf, we have publicly and privately reiterated our firm commitments to the security of nonbelligerent gulf states. We have repeatedly warned Iran that any extension of the conflict would be regarded as a major threat to United States interests.

Our relations with these countries—including the members of the Gulf Cooperation Council—Kuwait, Saudi Arabia, Bahrain, Qatar, the United Arab Emirates, and Oman—are important to our long-term security interests. The war directly threatens their security as well as their economic survival. We have publicly stated our fundamental interest in helping the gulf states defend themselves against attack or subversion.

The war has also highlighted overlapping interests with Iraq, as it defends itself against Iranian attack. The news of our limited arms shipments to Iran was a shock to Baghdad, and it has put some strain in our relationship. Nevertheless, I think both sides understand that we share an overriding common interest in finding an early end to the war. For our part, the United States will continue to pursue this objective; and we will do all we can to reaffirm the strength of our policies toward the gulf.

Our current policies, of course, reflect longstanding interests in this region. Hence I want to review our goals and objectives in the region as a whole.

American interests in the Persian Gulf have long been readily defined.

We have an overriding strategic interest in denying the Soviet Union either direct control or increased influence over the region or any of its states. We have major political interests in the nonbelligerent gulf states, both in their own right and because of their influence within the gulf and beyond. And we have a vital economic stake in seeing that the region's supply of oil to the West continues unimpeded.

Our multiple interests in the gulf give us common ground with its various states. As I have mentioned, they share our overriding concern with economic and political stability. Their economic life depends on the flow of oil to the industrialized world. Anything that might disrupt their commerce—war, political instability, terrorism, or subversion—is against their interest as well as ours.

Iran is an important element of our considerations as we pursue these multiple interests. That country has been, and remains, a major factor in the region—both because of its size and strength, and because of its strategic location alongside the Soviet Union and Soviet-occupied Afghanistan. Iranian policy has a direct impact on our strategic, political, and economic stakes in the gulf. And the current Iranian government directly affects us in another way: through terrorism, which it continues to support and export as an instrument of state policy.

Historically, we have also shared a strategic interest with Iran, whose geography makes it a natural buffer between the Soviet land mass and the Persian Gulf. Soviet designs in the region can be seen in the Soviet occupation of Iran in 1946, and in its invasion and subsequent occupation of Afghanistan. The government of Iran has, of course, been highly critical of the Soviet occupation of Afghanistan—a political fact that underlines a certain commonality of interest between us.

Our various interests in the region give the United States an obvious stake in better relations with Iran. As you know, we sent a signal of our intentions in the form of an authorized transfer of arms to that country. That signal did not elicit an acceptable Iranian response; and it will not be repeated. While we have an interest in improving our relations with Iran, the Iranians have an interest in normal dealings with us as well. And until they recognize their own interests, and act upon them, our relations are unlikely to improve. We have said, and we reiterate, that several issues stand in the way of better relations between us; the Iran-Iraq war; and Iranian support for terrrorism and subversion in the neighboring states.

Let me conclude with a note about the future of our relations with Iran.

The President has said that the United States recognizes the Iranian revolution as "a fact of history." We bear no malice toward the Iranian people. But American interests are directly threatened by the Iranian government's pursuit of its war with Iraq; by its sponsorship of terrorism; and by its collusion with terrorist forces elsewhere in the region. We cannot hope for progress without fundamental changes in Iranian policy and practice. Nor can we pursue better relations with Iran to the detriment of our many other interests and commitments in the region.

We look to an eventual improvement in United States-Iranian relations. But American goodwill cannot wish that future into existence. Iran's rejection of its bellicose and terrorist policies will be a necessary first step to any progress that might follow.

PREPARED STATEMENT OF SENATOR MCCONNELL

Senator MCCONNELL. Mr. Chairman, I would like to welcome Secretary Shultz this morning. I will be brief. I hope the Secretary will have a chance to address the regional as well as the internal consequences of this plan. Although we have heard that many of our friends in the Middle East feel betrayed by the lack of judgment that this plan reflects, I am also concerned about the future relationship we may have jeopardized with internal elements within Iran. We have a frustrating lack of opportunity to explain ourselves and this policy to groups within Iran—such as the merchants—who may have been somewhat sympathetic to restoring ties with the United States. Where does this policy and plan leave us with regard to these elements? I am interested to hear whether the Secretary believes that we still have future opportunities in Iran.

I also hope the Secretary will discuss the general patterns regarding the Iran-Iraq war. Overall, there have been ebbs and flow in the air war, and specifically, there was a recent report that the Iranians now have a nighttime missile capability. I am interested in the Secretary's view of whether these changes may require U.S. intercession or may offer the United States any opportunity to further the negotiation process.

Thank you Mr. Chairman. I look forward to hearing from the Secretary.

The CHAIRMAN. Thank you very much, Senator Helms.

Secretary Shultz, we would be very glad to hear from you.

STATEMENT OF HON. GEORGE SHULTZ, SECRETARY OF STATE

Secretary SHULTZ. Thank you, Mr. Chairman and members of the committee. It is a pleasure for me to appear before you. This is my first appearance before my committee, as I think of it, not that you belong to me, but I belong to you.

The CHAIRMAN. We belong to each other.

Secretary SHULTZ. So I welcome, in this the 100th Congress, familiar faces that I am looking at here, and a new face before whom I have already appeared in the budget hearings, and I look forward to working with all the members of the committee in the spirit that both the Chairman and the ranking member have enunciated in their opening comments.

Let me say that with respect to the direction of foreign policy I have appreciated during my tenure as Secretary of State the opportunity to work closely with President Reagan and to be a counselor to him and to be somebody trying to help manage his foreign affairs policy. I have great confidence in the President's record of what he has accomplished in foreign affairs. I think basically the situation that our country now has around the world is a pretty good one. There are plenty of problems, as we all know, but our posture is a strong one and his leadership has been responsible for that in no small measure. So, I look forward to continuing to work under the President's direction in this area.

I appreciate this opportunity to testify on American interests in the Persian Gulf and the importance of some recent developments there. Chief among these is the Iran-Iraq war, whose continuation threatens the stability of neighboring states and the pursuit of our interests in the region. The outcome of this war will affect the strategic shape of the Persian Gulf and the Middle East for years to come. It is therefore important to focus on U.S. policy toward the war and the region at large.

Stability in the Persian Gulf matters to us for three reasons. First, it is critical to the economic health of the West. An interruption in the flow of oil or control of these energy resources by an unfriendly power could have devastating effects on the pattern of world trade and on our economy. Second, our interests would suffer greatly if Iranian expansionism were to subvert friendly states or otherwise boost anti-American forces within the region.

Third, as part of the strategic crossroads of the Middle East, this area must not come under the domination of a power hostile to the United States and its allies. Therefore, America's near-term priority is to reassure the gulf Arab states of our support and to stand fast on our antiterrorism and arms embargo policies.

Since the beginning of the Iran-Iraq war in September 1980 the United States has sought the earliest possible end to the conflict, one which would secure the independence and territorial integrity of both countries as well as security for third parties in the region who are now directly threatened by the conflict.

We have pursued these goals through the following policies. We have been denying munitions list equipment to both Iran and Iraq. There was a limited exception to this policy, as you know. There will be no further exceptions—no more transfers of U.S.-origin military equipment to Iran, either directly or through any third party.

We are supporting all reasonable diplomatic efforts to encourage Iran to abandon its unwillingness to negotiate an end to the war. These efforts have included U.S. encouragement of the U.N. Secretary General, the Non-Aligned Movement, and the Islamic Conference, which is holding its summit in Kuwait this week. The problem has been lack of Iranian interest in any peace proposal except on Iranian terms.

Therefore, we are also energetically pursuing efforts to inhibit the resupply to Iran from third countries of significant weapons systems and spare parts which might enable Iran to carry the war further into Iraqi territory. This is our Operation Staunch, which we will continue to pursue in an energetic and determined manner.

Because of our concern over the possible spread of the Iran-Iraq conflict to third countries in the gulf, we have publicly and privately reiterated our firm commitments to the security of nonbelligerent gulf states. We have repeatedly warned Iran that any extension of the conflict would be regarded as a major threat to U.S. interests.

In that connection, Mr. Chairman, I would like to read into the record a statement that the President made on January 23, a public statement. The President said:

"The current Iranian assault on Iraqi forces near Basra is a reminder of the terrible suffering and loss which the Iran-Iraq war has brought to the people of the gulf region. The continuation of this bloody struggle remains a subject of deep concern to the United States and to the entire world. It is a war that threatens not only American strategic interests but also the stability and security of our friends in the region."

The President continues: "As I have emphasized many times, we are determined to help bring the war to an as prompt as possible negotiated end, without victor or vanquished, leaving intact the sovereignty and territorial integrity of both Iran and Iraq. We cannot but condemn Iranian seizure and occupation of Iraqi territory, and we again call upon the government of Iran to join the government of Iraq in seeking a rapid negotiated solution to the conflict.

"We share the concern of our friends in the gulf region that the war could spill over and threaten their security. We would regard any such expansion of the war as a major threat to our interests, as well as to those of our friends in the region. We remain determined to ensure the free flow of oil through the Strait of Hormuz. We also remain strongly committed to supporting the individual and collective self defense of our friends in the Gulf, with whom we have deep and longstanding ties."

That is the end of the President's statement, which I might say was welcomed in the region.

Our relations with these countries, including the members of the Gulf Cooperation Council—Kuwait, Saudi Arabia, Bahrain, Qatar, the United Arab Emirates, and Oman—are important to our long-term security interests. The war directly threatens their security as well as their economic survival. We have publicly stated our fundamental interest in helping the gulf states defend themselves against attack or subversion.

The war has also highlighted overlapping interests with Iraq as it defends itself against Iranian attack. The news of our limited arms shipments to Iran was a shock to Baghdad and it has put some strain on our relationship. Nevertheless, I think both sides understand that we share an overriding common interest in finding an early end to the war. For our part, the United States will continue to pursue this objective, and we will do all we can to affirm the strength of our policies toward the gulf.

Our current policies, of course, reflect longstanding interests in this region. Hence I want to review our goals and objectives in the region as a whole. American interests in the Persian Gulf have long been readily defined.

We have an overriding strategic interest in denying the Soviet Union either control or increased influence over the region or any of its states. We have major political interests in the nonbelligerent gulf states, both in their own right and because of their influence within the gulf and beyond. And we have a vital economic stake in seeing that the region's supply of oil to the West continues unimpeded.

Our multiple interests in the gulf give us common ground with its various states. As I have mentioned, they share our overriding concern with economic and political stability. Their economic life depends on the flow of oil to the industrialized world. Anything that might disrupt their commerce—war, political instability, terrorism, or subversion—is against their interests as well as ours.

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Historically we have also shared a strategic interest with Iran, whose geography makes it a natural buffer between the Soviet land mass and the Persian Gulf. Soviet designs in the region can be seen in the Soviet occupation of Iran in 1946, and in its invasion and subsequent occupation of Afghanistan. The government of Iran has, of course, been highly critical of the Soviet occupation of Afghanistan, a political fact that underlines a certain commonality of interest between us.

Our various interests in the region give the United States an obvious stake in better relations with Iran. As you know, we sent a signal of our intentions in the form of an authorized transfer of arms to that country. That signal did not elicit an acceptable Iranian response and it will not be repeated.

While we have an interest in improving our relations with Iran, the Iranians have an interest in normal dealings with us as well, and until they recognize their own interests and act upon them our relations are unlikely to improve. We have said, and we reiterate, that several issues stand in the way of better relations between us—the Iran-Iraq war and Iranian support for terrorism, including hostage-taking and subversion in the neighboring states.

Let me conclude with a note about the future of our relations with Iran. The President has said that the United States recognizes the Iranian revolution as, as he put it, "a fact of history." We bear no malice toward the Iranian people. But American interests are directly threatened by the Iranian government's pursuit of its war with Iraq, by its sponsorship of terrorism, and by its collusion with terrorist forces elsewhere in the region.

We cannot hope for progress without fundamental changes in Iranian policy and practice, nor can we pursue better relations with Iran to the detriment of our many other interests and commitments in the region.

We look to an eventual improvement in United States-Iranian relations. But American goodwill cannot wish that future into existence. Iran's rejection of its bellicose and terrorist policies will be a necessary first step to any progress that might follow.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Secretary.

I think under our procedure we will go on a 10-minute rule, which will give us all a chance to ask questions and maybe even have a second round.

I would add to the witness I think the weather accounts for the absence of one or two of my colleagues.

I would like to touch upon the question of our relationship with Iran, which you mentioned, Mr. Secretary. You said that we have no malice toward the American people. I would agree with you.

Secretary SHULTZ. We not only have no malice toward the American people; we have no malice toward the Iranian people.

The CHAIRMAN. But there is, I think, perhaps underestimated a reservoir of ill will on the part of the American people toward the Iranians because of the insult they did us in taking the hostages, the diplomatic hostages, and also, even more to the point, the murder of our marines.

Secretary SHULTZ. I agree with that, Senator, and that is a very deep-running grievance.

The CHAIRMAN. It is very deep here, and obviously from the viewpoint of the United States it would be better to improve our relations with Iran. We must not underestimate this feeling of the American people, which is one of great distaste.

Secretary SHULTZ. I share that feeling.

The CHAIRMAN. I think all of us here in this room do.

Now what do you think will be the impact on the outcome of the war of the weapons that we accorded to the Iranians?

Secretary SHULTZ. It is hard for me to make any categorical statement. We do not know where those weapons are or just how they are being employed. I think they need to be put into the perspective of the total amount of armaments that are employed there, which is gigantic. I think you got some estimates from the Acting Director of the CIA in your hearing the other day about some of the money expended for arms, and in relationship to those sums, the value of what was sold by us is negligible.

Nevertheless, it may be that there are certain aspects to it that have some significance, but it is hard for me to say.

The CHAIRMAN. As I understand our policy—and that is what this hearing is all about—our policy is that there should be no victor in the Iranian-Iraqi war. They should just both drain themselves and eventually give up. If one or the other is winning, which would be more to our advantage of the two?

Secretary SHULTZ. I think what we would like to see is no victor or vanquished, with the territorial boundaries intact. We do not have a strategy of letting them exhaust themselves; we have a strategy of encouraging every conceivable avenue, mediation or negotiation—to the U.N., through various countries that have relations with both parties, through various groups such as the Islamic Summit that is now in session, and so on. We would like to see it come to a negotiated end.

Our observation is that it is Iran, not Iraq that refuses to sit down and try to negotiate that end. Therefore, from our standpoint, since we really do not have much in the way of contacts with Iran, we have followed a strategy of trying to deny arms to them, not only our own but also to persuade others. If they have trouble getting arms, they will not be able to pursue the war, and that has been our fundamental strategy.

They have gotten millions and billions of dollars' worth of arms, mostly from countries in the Soviet sphere of influence, such as North Korea. And I notice that some of the missiles that hit into Baghdad are SCUD's, Soviet missiles which I presume they obtained through Libya.

The CHAIRMAN. At this point which would harm American national interest most—an Iranian victory or an Iraqi victory?

Secretary SHULTZ. Well, I do not feel very comfortable speculating about that. I think that what we want to do is see a standoff, resulting in the kind of outcome that I outlined, and that is what we are working for and hoping that any other result can be avoided.

The CHAIRMAN. Carrying that one step further, then, let us say that we see that one side or the other is starting to become victorious. Would that mean that our best interests would be served by supplying arms to the other one?

Secretary SHULTZ. Well, just exactly what we should do under some contingencies is a question, and of course we have been taking strong measures for many years, going back into the Carter administration, having to do with the situation in the gulf and the strait, and that has been a longstanding policy. And we have been implementing that, including most recently, so that our friends in the gulf are assured, and we continue to watch developments very closely and want to see things move in the direction I have outlined.

The CHAIRMAN. I can see that, and I can see from your viewpoint why you would not want to express a tilt one way or another.

In connection with policy, one of the most important things is the policy be implemented, and my understanding was that you have given instructions that there should be no more secret meetings with Iranians, but that such a meeting did occur after the instructions had gone out. One, is that a correct statement and, two, if it is a correct statement, what can be done to ensure that policy is followed?

Secretary SHULTZ. The impression that has emerged in the public from comments of various people about my testimony is not the way I have sought to describe it and understand it. The President has told me to in effect take charge of our thinking through or implementing whatever contacts we may have with Iran.

We continue to have the view, as I stated in my testimony, that we would like to see their behavior rearranged and we believe there are reasons why it will be significant for them to have a better relationship with us.

So we have that in our minds. We want to make that clear to them. In the course of digging into things that were going on, it was made known to us by the agency with whom we have been cooperating readily and easily on this, that there was a meeting scheduled on December 13 in Frankfurt between an agency person and the Iranian person that they had been dealing with.

So we thought about that, and decided—I decided, and the President concurred—that we should proceed with that meeting; and that the agency representative should be accompanied by a State Department representative, who would be in charge of the delegation, so to speak, and that he should have set talking points, and deliver them.

And the basic purpose of the meeting was to say, through that channel, as well as through the public statements the President had made, that any thought on their part that there were going to be further sales of arms was wrong.

And so we just wanted to transmit that message in as many ways as possible, including through the person that the agency had been talking with. And we did that.

Now, in the course of that meeting, we discovered a number of other things, important things, that we didn't know about, which have since emerged, and to which I immediately called the President's attention, by going over to the residence on a Sunday morning and talking with him.

And he was truly appalled and shocked by what I told him, just as I was. So that's what took place. And the President's reaction to it all was very firm and clear.

And we have taken steps since that time to nail down, with all the clarity and force possible, what our position is.

The CHAIRMAN. Thank you very much.

I would add, though, that in an interview broadcast by CBS last night, the Iranian politician, Rafsanjani, said that American contacts with Iran were continuing, the latest being between a Mr. Dunbar of the State Department and the Iranian interlocutories.

Secretary SHULTZ. Mr. Dunbar was the State Department person in the two-man team; the agency person was Mr. Cave.

The CHAIRMAN. It is not correct, then, that those contacts are continuing at this time?

Secretary SHULTZ. No, there isn't any contact in that channel.

The CHAIRMAN. Thank you very much. My time has expired.

Secretary SHULTZ. There are other contacts. For example, there is the Iranian Claims Tribunal. And that's an ongoing operation.

Judge Sofaer, who is here with me, leads our work on that. And there are other ways in which we have some contacts.

The CHAIRMAN. Thank you very much.

Senator Helms.

Senator HELMS. Thank you, Mr. Chairman.

Mr. Secretary, do you believe that the Iranian regime has a strategy in the Middle East that has targeted the moderate pro-Western countries such as Saudi Arabia, Kuwait, Egypt, for destabilization by the pro-Khomeini groups in various activities?

Secretary SHULTZ. I think it is quite evident that there is an Iranian-inspired, sometimes called, "fundamentalist movement" that is felt by those regimes to be a threat to them, and it's also true that there have been a number of occasions in which it has been found, by those regimes, that Iranians coming, for example, on Haj, or some other manner, in one or the other of the other countries, have been caught with explosives, and in other words, clearly intent on furthering their goals through violence and subversive acts, as well as through the propagation of their ideas.

Senator HELMS. Do these pro-Western countries understand that there is a strategy against them?

Secretary SHULTZ. Well, I don't claim to be privvy to all the ins and outs of an Iranian strategy as such. But I have tried to indicate what seems evident to me, and that certainly is consistent with what you say.

Senator HELMS. Are you saying that there's been no discussions with these countries about that strategy?

Secretary SHULTZ. Discussions between Iran and the other countries?

Senator HELMS. Discussions between the United States and the pro-Western countries whom I've identified.

Secretary SHULTZ. Oh, we have discussed with them a great deal the threat that the war and developments in Iran pose to them.

We don't have to discuss it with them. They come and tell us and seek our assistance, particularly in containing the potential overflow of the war into the gulf.

Senator HELMS. Well, to use your words, quite evident, is it quite evident that Iran works closely with Syria and Libya to conduct international terrorist operations directed against Western Europe and the United States?

Secretary SHULTZ. I believe the answer to that is "Yes."

Senator HELMS. There's been a lot of talk, Mr. Secretary, about so-called moderate and pragmatic elements in the regime, in Iran. I'm not going to get into the discussion of the Ayatollah's health, or how long he may be around. I think that may be part of the whole grand scheme.

But how do you assess the various factions within the government there? What are the factions?

Secretary SHULTZ. I personally try to stay away from words like "moderate" and "pragmatic" and so on, and I do think it is evident that as one would expect, there are different viewpoints about the wisdom of pursuing the war; about the way to organize their economic activity; about their relations with various neighbors that there are reports about.

So there are differences of view. It's also, I think—well, it's a known fact that the casualties in the war have been tremendous, and that their economy is in much worse shape than it was some years ago.

All those things are in a sense obvious. You don't have to have a lot of intelligence to see that. I don't mean intelligence as in brain power, but secret information.

However, it also seems to me clear enough that a government that's able to conduct a war of that scale, and with those kinds of casualties, and with the economic disruption in the country that's related to it, a government that conducts that you have to say is a strong government. That is, it's able to carry that forward.

So the idea that somehow or other, it is teetering, I don't see that.

Senator HELMS. Well, of course, I wouldn't ask you to identify any of the leaders of the internal anti-Khomeini crowd, if such exists. But do you know of such leaders?

Secretary SHULTZ. Well, we hear reports, and I always scratch my head about their credibility, and about why it is that we are being told such and such.

What little experience I've had in my own direct dealings with Iranians is that they're very bright people, and energetic. And they're always looking for a deal. And the bargaining is never over.

I had a slight interaction with them as a businessman. So I kept my pockets buttoned down.

Senator HELMS. I think you were wise.

Before I forget it, on page 3 of your statement, you say: Therefore, we are also energetically pursuing efforts, and so forth, to inhibit the resupply to Iran of significant weapons systems.

I guess we can get into what is a significant weapon system and what isn't.

Secretary SHULTZ. Well, weapon systems; let me just put it that way. If you try to get ahold of every little whipstitch, you kind of dissipate your energy sometimes when you have to look at things that are of some significance.

But what we're trying to do is persuade people not to sell arms to Iran. We've had a considerable amount of success in it, although there is quite a stream of arms.

Senator HELMS. It wouldn't do violence to what you were saying to take out the word, "significant"?

Secretary SHULTZ. No, sir.

Senator HELMS. I would like to have you extrapolate a little bit on the steps that you have taken to restore confidence in American diplomacy in that region.

What kind of assurances have you given to the moderate states, the pro-Western states, that we consider them our friends, and will stand by them, if we have done that, in the face of Soviet and Iranian expansionism?

Secretary SHULTZ. Well, we have sent them material through our Ambassadors describing what has happened as we have seen it in a candid way, so that they understand the President's views and intentions.

We have had Ambassador Murphy in the region for various purposes, one of them being to talk to people. The President made a statement that I read out here, which our reports back say was very much welcomed.

We have done some things with disposition of our forces which I don't want to discuss in detail, but they know that the United States is there, and ready to work with them. And of course, we pursue our policies energetically.

Our policies against arms sales, and the sales of others of U.S. munitions list equipment, and our efforts to persuade other countries not to sell arms to Iran.

We also pursue energetically our policies against terrorism, and feel that it is extremely important that we be very firm about that.

And I agree with the statements that you made at the start of this hearing, and that the chairman made, and also the chairman's comments on the television on Sunday, which I happened to see.

Senator HELMS. Mr. Secretary, I thank you. But one final question: Has the President himself made any direct contact, either by letter or otherwise, to any of these pro-Western countries?

Secretary SHULTZ. Yes, sir. The communications that I referred to that were carried in by our Ambassadors that are in the form of a Presidential——

Senator HELMS. I'm not talking about Ambassadors. I'm talking about the President getting on the telephone or whatever.

Secretary SHULTZ. Not to my knowledge. But I think they are very clear about the President's views. You're asking me a question, I really haven't thought carefully about that. But the President has personally—through communications that were delivered, I will say, by Ambassadors in posts, to the leaders, that made it clear to them his views.

Senator HELMS. He might consider picking up the telephone.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Kerry.

Senator KERRY. Mr. Chairman, I'd like to pass to Senator Sanford, who was here before me, and come back.

The CHAIRMAN. Senator Sanford.

Senator SANFORD. In response to Senator Helms' question about a possible conspiracy—I'm not sure that's the right word; I don't know with whom Iran would have been conspiring, except internally. But in response to that question, Mr. Secretary, you talked about the danger to the pro-Western neighboring countries if Iran were to be successful.

Secretary SHULTZ. Well, Iraq has been historically more aligned with its Arab neighbors. It's the Arab neighbors we're talking about here.

I don't think—I don't particularly want to speculate about what happens if this side wins or that side wins. I don't see any prospect anyway of Iraq winning. If there's a threat, it's the other way around.

Iraq is not seeking to win. Iraq is seeking, and has stated many times, its readiness to try to settle.

Senator SANFORD. Yes, except they are somewhat suspect in that they initiated the hostilities in the first place.

Secretary SHULTZ. Yes. The tension between Iran and Iraq is of long standing. This is not something brand new.

Senator SANFORD. It seems to me that the great danger in sending arms to Iran would be first of all that it did indeed strengthen their military hand; to what extent, of course, we have no way of knowing, as you pointed out. But it certainly did them no harm, and it did tend to tilt the balance slightly in favor of Iran.

And that, I'm sure, was one of the reasons that you opposed that kind of a transfer.

The danger now, it seems to me, is, can we successfully stop a significant flow of arms to Iran because of our own violation of our policy? Are we not in serious trouble now of having the situation tilted considerably toward Iran?

Secretary SHULTZ. Well, sir, first of all, U.S. weapons that are in the hands of an ally or friend are regulated, in that they can't be transferred to a third country without our consent.

And so we have taken steps to reinforce the strength of our view that that must be so. So that's one thing that we have hold of.

Second, insofar as sales by other countries who are our friends, it isn't just that they might refrain from sales because we're trying to persuade them to do so, but that they have an analysis of the situation, and they have a stake in the situation that's very much like ours.

In fact, most of those countries get their energy more directly from the gulf area than we do. So they have to go through a line of reasoning parallel to ours, and may come to parallel conclusions.

And therefore, it isn't as though we have to twist everybody's arm. It is something in the mutual interest of the parties.

Senator SANFORD. Well, some nations, without calling any names, might very well conclude that it would be to their advantage for Iran to win; nations friendly to us. And we wouldn't have any control over whether they would begin to ship weapons in.

Do you feel comfortable that we have stopped the flow, especially since these last revelations?

Secretary SHULTZ. Well, it is a fact that a huge volume of arms have flowed into the Iran-Iraq war, into the hands of the parties. And you had some testimony from the acting DCI recently about that volume. And it's breathtaking in size.

So we have been making an effort, with respect to the flows to Iran, to do something about it. But quite obviously, we've succeeded to a degree.

But they have been able to buy lots of arms. For example, there's very little we can do about arms sales from North Korea. We can go to the Soviets and talk about that, but that's nothing we can influence.

Senator SANFORD. The great danger, of course, is our policy of hoping that we end with a truce that leaves the borders where they are, and leaves the nations essentially organized as they are. Our great danger is that Iran, with its other superiority, would build up an arms superiority, and begin to overrun Iraq.

I'm not sure I want you to answer this question, but suppose Iran takes Baghdad. Do you know what we would do?

Secretary SHULTZ. I think I'll follow the wisdom that you suggested.

Senator SANFORD. But we would certainly have a different situation to deal with. And I don't think we ought to know the answer publicly. But I certainly hope there is an answer, that it's thought out.

Secretary SHULTZ. Right now, so far as we know, the front, so to speak, has stabilized, although the Iranian forces remain within easy artillery range of Basra.

Senator SANFORD. Well, let me just ask one other question, somewhat related.

I understood from a newspaper story that you indicated that we would take a firm, and if necessary and advisable, military action against any group sponsoring terrorism; and that included any nation; that you had also said that Iran was more than suspect.

Suppose that we demonstrated beyond any doubt that Iran was involved in the terrorism that took the lives of American citizens. Then does that suggestion of yours get implemented, that we would take military action against such a country?

Secretary SHULTZ. Well, I think it's very important that terrorists know, and states that sponsor terrorism know, that there are circumstances under which the United States will use its military capability.

That doesn't mean that we should be thinking of that as some immediate thing to do. But that has to be one of the tools in our kit bag, I believe. And I think people do realize that. And the President's decision to conduct that action against Libya was by way of putting an exclamation point behind that fact.

Now, in order to conduct such an action, there are various conditions that have to get satisfied, about which you know, about the complicity of who it is you're going to take action against, and targeting information, and things of that kind.

You want to be able to do it in an effective manner.

I might say that the more general proposition is that we need to make it clear to the terrorists and the states that sponsor terrorism that there is a cost; and that's one form of cost.

Economic matters are another form of cost. Diplomatic isolation is another form of cost.

I think that through our efforts and those of our friends, Libya has been paying a price for its terrorist actions. And we need to make that evident in every possible way that we can.

Senator SANFORD. But there would be certain elements that could put a different dimension on the Iranian-Iraqi war.

Secretary SHULTZ. Are you now shifting from terrorism?

Senator SANFORD. I'm using terrorism as a reason, and in fact, a necessity, for our intervention.

Secretary SHULTZ. As I've said, I believe that we must have in our bag of tools here the possibility of military action. And I think that view is widely shared.

It's always a very tough, delicate question to actually make use of our armed capability. But it should be there as a possibility in my opinion. And I might say, I know that the President shares that opinion.

Senator SANFORD. Thank you very much.

The CHAIRMAN. Thank you very much.

Senator Lugar.

Senator LUGAR. Thank you, Mr. Chairman.

The CHAIRMAN. I'd just like to add how much I'm glad we can continue to work together on the committee, and how much I enjoyed and benefited being under your chairmanship.

And we enjoy your continued participation in the committee.

Senator LUGAR. Thank you, Mr. Chairman, and I wish you success.

Mr. Secretary, earlier today, in another type of testimony, you talked about a meeting that involved Mr. Dunbar and Mr. Cave.

Did that occur December 17?

Secretary SHULTZ. December 13.

Senator LUGAR. December 13. Where did the meeting occur?

Secretary SHULTZ. In Frankfurt.

Senator LUGAR. Frankfurt, Germany. Now, as I recall, what you said this morning—you might want to elaborate—a set agenda or talking points were formulated by the State Department representative, Mr. Dunbar, as to specific things that would be discussed; is that correct?

Secretary SHULTZ. Our purpose was to get across the point that with whatever considerations of long-term interest we may have, and readiness to discuss those, as I said in my testimony, the Iranians should understand that there will be no more arms sales of whatever variety as far as we're concerned, and we wanted to get that clear in their minds.

The President has said that publicly, so they're able to read that. But we felt that in this channel that had been used, it would be worthwhile giving that message. I thought so, and the President approved it; so we did it.

Senator LUGAR. Who thought up the meeting on December 13, the Iranians or ourselves?

Secretary SHULTZ. That meeting had been arranged by contacts between those in the agency and on the Iranian side. And as we were working cooperatively with the agency, they informed us that this meeting had been set up, and it was possible for us to cancel it or go through with it or whatever we thought.

So we went through basically the thought process I described here and felt it was important to go ahead with it. I am glad we did.

The establishment of the date to begin with was not something that I participated in or had knowledge about, and you are better off to ask that question of someone who is closer to it.

Senator LUGAR. December 13 obviously comes well after the initial relevations that there had been arms sales and public dismay and, for that matter, a good bit of dismay all around. I suppose I am still curious as to why on December 13 our Government would want to have another secret meeting with Iranians.

Secretary SHULTZ. I have tried to answer that question, and the answer is that we wanted to make it clear in every possible channel, and this was the channel that had been used in the discussions which have been talked about so much by those involved. So that would be a good channel, we felt, to make this point. In the process of doing it, Mr. Dunbar and, therefore, I and the President learned some things that we did not know.

Senator LUGAR. In any event, Mr. Dunbar made these points.

Secretary SHULTZ. He read them out. He had talking points, and he read them out.

Senator LUGAR. Now, Mr. Dunbar then left, as I understand the story, and Mr. Cave remained and conducted another meeting with the Iranians; is that correct?

Secretary SHULTZ. The meeting was over, and Mr. Dunbar returned to the United States. Mr. Cave, I think, has a son or relative in the area and said that he was not going directly back but visiting the family member. We later found that the Iranian interlocutor called Mr. Cave and said he had a response to the meeting. Mr. Cave then met with the Iranian, just the two of them. I have said that I thought that was inappropriate.

Nevertheless, from the standpoint of the content, as far as I know there was no problem.

Senator LUGAR. In the overall sense of the administration, who is controlling these meetings? In other words, obviously you had no control over Mr. Cave. Your man, Mr. Dunbar, left. Mr. Cave stayed, and he had another meeting. Even after the point——

Secretary SHULTZ. I have said that I felt that it was inappropriate for him to have that meeting, but it was not, so far as I know, some meeting that he set up. He was called and told that there was a message, and so he responded to it. I do not want to imply some sort of evil or underhanded motive of some kind. It is just a series of events that happened. In my judgment, the right response would have been to have the same complexion of the team as went there in the first place. That was the basic construction.

Senator LUGAR. What was the reason that your distress led you then to seek a meeting with the President at the residence? Was that following this December 13 meeting?

Secretary SHULTZ. Yes, that was following, and it had nothing to do with Mr. Cave's second meeting at all. I did not know about that at the time; but some material emerged as Mr. Dunbar sat and listened to the Iranian talk and then asked Mr. Cave what it meant, what the Iranian was saying.

Then he called in his report, which I got. I felt that the material was of such a nature that I should call it to the President's attention right away. I called the President and said that, and he said come on over. So I did.

Senator LUGAR. There is, however, no doubt in your mind, and your testimony clearly today states, that the President had made a judgment after all of these meetings that there would be no more arms sales to the Iranians?

Secretary SHULTZ. Absolutely.

Senator LUGAR. So, that regardless of who was having meetings or arranging them or what have you, unbeknownst to you or with your knowledge or approval, everybody now in the whole Government, CIA and everyone else, has the instruction no more sales?

Secretary SHULTZ. Absolutely. Now, I might say that as I have, of course, thought about this myself all through this period and as I have listened to the reactions of people, I personally felt that if it were possible to have an impact on Iranian behavior, that would be desirable. I agreed and do now agree with the President's objectives, and as I have listened to the public commentary, by and large people share that view.

Now, there is a sharp distinction between arms sales to influence or do something or other and having a discussion that says to the Iranians A, B, C along the lines that I testified. Those are two different propositions. We are not seeking, we are not going around trying to talk Iran into talking to us. We have made it clear that there is a door there. They can push it open. The way to push it open is to do certain things about their behavior, and the reason for wanting to push it open from their standpoint is, I believe, these basic, long-term strategic interests that they have.

Senator LUGAR. I had thought you had argued that even if there are values in trying to approach this strategic relationship, that the sale of arms is not a tactic or a means that one uses.

Secretary SHULTZ. That is correct. That is what I have felt consistently and I feel today.

Senator LUGAR. It would appear that a large majority of the American people agree with that. In other words, they would be opposed to the sale of arms to Iran. Clearly, they would be opposed to any exchange of arms for hostages. In my own judgment, the latter point may not have been clear a while back, but it is clear now. The point is very substantial. Regardless of our compassion for the hostages, Americans do not favor exchanging arms for them. As a foreign policy principle, you are pointing out that we should not have sold arms to Iran to begin with; is that correct?

Secretary SHULTZ. That what?

Senator LUGAR. As a foreign policy proposition, leaving aside hostages, you contend we should not have sold arms to Iran at all?

Secretary SHULTZ. The President has publicly stated in an address that he felt that there was a point at which, given the stakes involved, he thought it was appropriate to give this signal. That was a judgment the President made, and you can argue. There are arguments to be made in favor of it. There are arguments to be made against it, and that is what you get when you become President. You get the chance to make those decisions, and he made one, and that is a perfectly legitimate thing for him to do.

I never discuss the advice I give to the President. I think that is inappropriate. The only reason I discussed it in this case is he told me to. He told me to say to the relevant congressional committees and investigative authorities, to the extent appropriate, what I knew and thought, so I have been doing it.

Senator LUGAR. Thank you.

The CHAIRMAN. Senator Kerry.

Senator KERRY. Thank you, Mr. Chairman.

Mr. Secretary, there were reports when the issue first surfaced about the arms transactions that you had threatened to resign if you were not given full control over the policy with respect to Iran. Were those reports correct?

Secretary SHULTZ. No.

Senator KERRY. Were you at that time concerned, and did you express a concern to the White House and Chief of Staff with respect to the process by which the decision had been made and the way in which the State Department had been excluded?

Secretary SHULTZ. Well, I think that the whole episode, as it is studied and been thought about, leads everyone to reflect on what the right way is to conduct our business and what the right way is to, so to speak, think about it. I have done so, and obviously there have been discussions. I believe that the appointment of Mr. Carlucci was a very wise one. He is an experienced and talented person, and everything that I see about the way he has taken charge of the NSC staff and rearranged it is very comforting. So I think that the things he is doing are the things that needed to be done.

Senator KERRY. Let me sort of rephrase my question. The question is not with the things that have happened and things that need to be done. What I want to get at is did you express dissatisfaction with the way in which you had been excluded from the process.

Secretary SHULTZ. Well, I have been told by the President to share candidly with the committees and so forth my views and what I know about how all this took place, and I have been doing that; however, I do not think it is appropriate for me to come here and discuss my subsequent discussions with members of the President's staff and with the President and so on. That is really my business with the President, and I consider it to be privileged.

I am perfectly glad to tell you what I think about various subjects and hear your views, and I always welcome the kind of exchange I have had with the committee, both in these public sessions and in our various, shall I call them, bull sessions.

Senator KERRY. Now, Mr. Secretary, would you say that at this point in time you are the principal formulator of policy with respect to Iran? Are you and the State Department in control of American policy with respect to Iran?

Secretary SHULTZ. The President has said to me, and there are formal documents that say, that when it comes to foreign policy, the Secretary of State is the President's principal advisor and the place you turn to carry out foreign policy.

Now, we all know that that is a gross oversimplification because the development and conduct of foreign policy by the United States is about as complex a thing as you can imagine. It is about as difficult to manage as anything you can imagine. As Jimmy Durante has said, "everybody wants to get into the act," so there are all sorts of players, some self-appointed.

As you know, the important aspects of foreign policy not within the purview of the State Department are principally in the area of international economic policy, although I have a chance to have my say. I do not negotiate on trade matters directly. That is placed by the Congress in somebody else's hands. So foreign policy is a very complex thing, and I would be glad to take time and ruminate with you about all of that if you want to do so.

Senator KERRY. Apart from Mr. Carlucci's appointment and the steps he has taken, have there been any other specific steps that you have tried to implement or have wanted to implement to prevent private individuals or others from going out and, in a sense, being part of the act, as you say? Has there been a narrowing of that process generally that you have specifically undertaken?

Secretary SHULTZ. Well, I think that the importance of sticking with authorized procedures and of being sure that things are looked at carefully, that insofar as it is possible even as an ongoing breaking matter that the relevant parties are consulted and so on is well recognized by all of us, and we are seeing to it that that takes place. I think that is basically the thing.

This is by way of a system of accountability. That is the key, and somebody who spends a great deal of his total waking time testifying or appearing before groups or in press conferences and so on as I do, I know I am accountable. Anytime I am doing anything, I have to have in the back of my mind at least how do I defend this when I get asked by Senator Kerry or somebody. So that is a standard I have to set.

I think it is important that our Government has the capability of doing some things that are secret. In those cases, then I think our procedures for accountability have to be even stronger than in the things that tend to be in the public domain because there is a kind of an automatic accountability to them. So we have to look at these procedures. That has been done, and I am sure that the Congress, in its investigations, will also do that.

Senator KERRY. Mr. Secretary, within that process of accountability that you are defining, since the revelation of the Iran-Contra connection and the resignation of Admiral Poindexter, have you been made aware of any shipments of military equipment or spare parts to Iran from the United States?

Secretary SHULTZ. I feel confident that there has been none, and if I had been made aware of any, I would have stopped them.

Senator KERRY. Is it not a policy of the United States to prohibit all such shipments?

Secretary SHULTZ. Yes.

Senator KERRY. It is your understanding that is the policy throughout the administration?

Secretary SHULTZ. Yes. That is the President's policy. He said it publicly. He said it privately, and anyone who violates that is in deep trouble.

Senator KERRY. You testified before the House Foreign Affairs Committee that you, "Did not learn about any transfers of arms during 1986" in a direct way but had, "bits and pieces of information."

Did you make any effort to find out precisely what was going on?

Secretary SHULTZ. I had various things happen that led me to think that probably there were arms sales going on. I had one instance which came into my possession when I was in Tokyo in early May—I have the date somewhere—of a report of some information that was provided to a person in our Embassy in London and transferred by phone to Undersecretary Armacost, and he sent me a cable, which astonished me. We were in the midst of the economic summit meeting.

I went over in the midst of our preparations to the portion of the hotel where we were staying where the President and his immediate staff were and was able to find and get together with Don Regan. I pointed this information out and said I thought if this was anything we were involved in, it was a great mistake. He was surprised, not knowledgeable about it, and I felt alarmed about it and was prepared to take it up with the President.

If, however, what you are trying to do is to say that my performance in all this left a lot to be desired, I am willing to stipulate that. I wish somehow I had found out about these things. Of course, my position, what I thought about it, was very well known to everybody. I do not think anybody had any ambiguity in their minds about my views.

Senator KERRY. My time is up. Thank you, Mr. Secretary.

The CHAIRMAN. Senator Evans.

Senator EVANS. Thank you, Mr. Chairman.

Mr. Secretary, let us turn to the theoretical for the moment and theoretically put you in the Oval Office.

Secretary SHULTZ. No, thank you.

Senator EVANS. As President, what would be your advice, your orders, your direction in the organization and the carrying out of American foreign policy. I am not talking now about the economic or associated kinds of things but the fundamental elements of foreign policy: you know, those elements that normally come to the National Security Council? What should be the appropriate organization of the White House, in your view? Is there a reason for a National Security Council in the first place or a National Security Council staff? What should that relationship be? How did it go wrong?

Secretary SHULTZ. I believe that there must be a National Security Council which is, by statute, three members of the Cabinet, the President and the Vice President, and that there should be a staff in the White House, somebody there, a national security advisor who is there all of the time and who is available to the President constantly and who has a small but strong, capable staff that can help in the process of coordination and can help in the process of providing the best possible advice to the President.

I think the carrying out of whatever it is that is decided is something that should be done by the stated Departments of the Government and not by the NSC staff or the advisor, although I would not lay it down myself as an absolute rule that such an action by the national security advisor should never take place. I think you have to have some capacity for the President to decide.

I can readily think of occasions when one might want to have that person go on a mission. I think it is very questionable that that should ever happen without the Secretary of State knowing about it.

Senator EVANS. That leads to the next question. Are there any circumstances where information developed either through or by the National Security Council should be kept from any of the statutory members of the National Security Council?

Secretary SHULTZ. By and large, no, I do not think so. I do not want to say it flatly because there may be things that the President is doing with some other head of state that he wishes to keep very private and have somebody to help him facilitate that. I would hope, however, that there would be almost no cases of that. In fact, I think that if the President does not have confidence in the Secretary of State to help him on those things, he should get himself a new Secretary of State.

Senator EVANS. In viewing our future relationships with Iran, you have mentioned they ought to take certain steps in changing their behavior. In turn, there are some steps which we might be willing to take in response.

In your view, what do the Iranians want most out of the United States in the longer term or do they care much about a relationship with the United States?

Secretary SHULTZ. Well, certainly all of their public statements are disdainful. They do, as I pointed out——

Senator EVANS. May I interrupt for just a moment? As I remember it, there were repetitive disdainful statements by the Chinese leadership right up to and very close to the moment we engaged in a different relationship with the Chinese. I am not sure that public statements are necessarily a true measure of what they want or they desire.

Secretary SHULTZ. I agree with that, and I was just starting to answer your question and make note of the fact of what the public statements have said.

As I pointed out in my testimony there are certain strategic facts born of the geography of Iran and the size, its long border with the Soviet Union, its concern about the Soviet invasion and occupation of Afghanistan, and its economic arrangements that give it good reasons for wanting to have some relationships with us and with countries in the West. Those considerations have led at many points in time to a good strategic relationship between Iran and the United States, and I think those considerations over time will tend to assert themselves.

Now, it is those considerations and that kind of incentive and the stakes involved that led the President to the initiative which he took. My own feeling is that, except for the involvement of arms sales, it was a good thing to do, and I supported it.

Senator EVANS. I thoroughly agree with you. I think that it was and remains a good thing to do, to attempt to at least attain what I guess we diplomatically might call correct relationships with every nation to the degree we can.

I have tried to avoid getting into all the murky details of the events of the past year and a half. We have plenty of committees to do that, but I have been struck by one thing. I do not know whether you are aware enough of the two memos to comment on them, but I had an opportunity to sit down and read thoroughly the Senate Intelligence Committee report on these matters.

Without in any respect trying to get into detail which would be inappropriate, since the report has not been officially released yet, I found that in reading an internal memo from Colonel North to Admiral Poindexter about the situation which then existed and then immediately following that a memo to the President from Admiral Poindexter accompanying a proposed finding which they were then asking the President to sign, again setting forth the current situation and the recommendation, it seemed to me in reading those two that there was a substantial difference, and I mean a substantial difference in nuances of the situation as it existed between the two.

Personally, in reading the two memos, putting myself in the President's shoes, if I had read the internal memo from Colonel North to Admiral Poindexter, I would have said "No, this is a bad idea, we ought not to go ahead." In reading the finding and the memos that accompanied it, quite a different twist was put on that.

Are you familiar enough with those two memos to comment on that?

Secretary SHULTZ. No, I do not think so. I have tried to review all my records and documents and compare notes and what-not for the purpose of doing my duty in this investigation and set that forward, and I have done so in both public and closed sessions in the House Foreign Affairs Committee, to the Senate Intelligence Committee, to the Tower Commission, and no doubt I will to various other groups, trying to stick at it that way rather than become an investigator of what other people did myself, because that field is overcrowded.

Senator EVANS. In general terms, however, do you believe that it is a duty of the national security advisor to consciously attempt to assemble information and present it in as unbiased a way as he can to the President for the President's edification?

Secretary SHULTZ. Absolutely, and also to tap the expertise of the Government and to know the views of those who have responsibilities in the area such as myself, and then to report them so that the President has before him: Here is the situation, here are variations in view about it, if there are disagreements, here is what Mr. X thinks, here is what Mr. Y thinks.

Senator EVANS. Would it be, then, your view that the national security advisor should not be in the position of making altenative recommendations to the President? Is that the function of the National Security Council as a council, as opposed to the advisor, or should he be after going through all of the analysis, sorting through and making his own personal recommendations for action to the President?

Secretary SHULTZ. It is inevitable and undoubtedly desirable that the President is going to ask the person that he sees all the time every day what his opinion is, and I think the national security advisor that never had any opinion would be an odd person, but I think it is the duty of the national security advisor to know the views of others and be conscientious in being sure that the President knows those views, and typically on a Presidential decision on some important matter of foreign affairs a proposed decision directive or whatever is the appropriate kind of document will get circulated, and then the President will have those comments, and there may be a meeting about it, and it gets discussed, so that is the proper way to go about it.

Senator EVANS. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Biden.

Senator BIDEN. Thank you very much, Mr. Secretary. I apologize to you and my colleagues. Amtrak had a little trouble in the snow today, but at least we made it this time. I have an opening statement which I will forego at this moment, and just say that I have no intention of asking about the details of what happened. I think we have a committee that has been assigned to do that and we should let them do the job.

As chairman of the Judiciary Committee I think there are areas that I would otherwise have the authority to look into. I think it would be best for the new committee, the special committee to make those judgments, and certain things seem fairly obvious. It is obvious that everyone realizes there has been some harm done by what has happened. The only question is, and you are answering it well this morning, How do we get better as a consequence of this rather than continue to founder, as I believe we have in the last little bit. One last statement I would make is that I think it is regrettable that we can talk about the role of the National Security Advisor and the Secretary of State, and I think you succinctly as well as I have ever heard it stated stated it just a moment ago, what it should be, but implicit in any of those judgments is that there is someone who is National Security Advisor who has some background in foreign policy, and I would just suggest that maybe one of the reasons we got into this difficulty was not merely because you were or were not consulted, but was because the nature of the person filling the post as National Security Advisor was not what it ordinarily had been in terms of having a deep background in foreign policy.

Let me just move on and say I think you do have an opportunity to not only help rectify the situation but maybe make the next 18 months of this administration very productive ones. It seems to me that all eyes are upon you. The President has stated as you have stated here that you are his main man and foreign policy will not be conducted without your knowledge of it, all of which are, and I am not being facetious, very positive things, and so what I would like to do in the few minutes I have is speak with you not about past events but about what is going to go on from here.

Specifically, I would like to ask you about the Middle East peace process in general. There has been no mention for a long time of any progress or hope for progress on that front, and I would like to ask you as candidly as you can to tell us what impact this entire Iranian affair has had upon the State Department and the administration's efforts to ameliorate the tensions in the Middle East, particularly with regard to Israel and the Arab nations, and not the Iran-Iraq war.

Secretary SHULTZ. Looking back on the last year or so, I think quite a lot has happened. Perhaps a lot of it happened because it was not noticed that much, and at the same time we made quite considerable efforts in what is thought of as the peace process. That is, the work with Israel and Jordan and Egypt and other countries to see if progress can be made in bringing about peace treaties between Israel and other countries, but we were not able to succeed in our objective and, I think, the objective of the parties at bringing about a direct negotiation between Israel and Jordan with appropriate Palestinians in the Jordanian delegation.

That is what you have to get into being, and then what that kind of group might agree on is the kind of answer that would work, because they are the people who have to make it work. We made a fair amount of headway on that, and the two things that remain issues and were issues that were not possible to resolve are, No. 1, in what manner is an international umbrella conference arrangement or whatever you want to call it potentially useful in getting to that objective, and second, who are—how do you find the Palestinians that are appropriate members of the delegation with Jordan, and you know that they have to be people who have real standing with the Palestinians because they have to feel those are my guys, and at the same time there are clearly Palestinians at this stage of the game that neither Israel nor we, since we would undoubtedly be there, would want to sit down with, so these are the two things, and then, of course, once you do sit down there are very difficult substantive issues.

Now, what we have done is have Ambassador Murphy go to the area, he went for a couple of weeks and talk to people trying to, so to speak, recapitulate the agenda that had been developed last year, see where people stand in their views on various elements of it, and then we have to make an appraisal of what might conceivably be done.

Senator BIDEN. And that appraisal in light of the last month and a half of events relating to the Iran-Contra questions, has that been more difficult to arrive at or has it been delayed in the making? What I am trying to get at is, if this investigation moves forward over the next 6 months, does that essentially mean in your view that major initiatives in the region are put on hold while this is still a front-and-center topic here in Washington, and consequently in other parts of the world, or is it not particularly relevant to the speed with which it is resolved and put behind us here in terms of how it impacts on your other efforts in the Middle East? That is what I am trying to get a handle on.

Secretary SHULTZ. I agree wholeheartedly with the President, and with that I think is the implication of your question: That we should have a thoroughgoing investigation of all of this and do it as rapidly as possible so that it does not hang around as something that has some lingering impact on our ability to conduct our business.

However, the President has said, and he has said to me to cooperate with all the committees, tell them everything that you know about it, and do your homework, and so on, and I have been doing that and intend to keep doing that, but he has said, now, "George, we have got a lot of work to do, so stay busy." I do not have any trouble staying busy. And I am working hard, the President is, on the substance of our foreign policy, and we are a worldwide power, and we have things going on all over the place that we are trying to be a constructive influence on, and we are hard at it.

Now, as far as the peace process is concerned, I think that the basic elements are there, that is is important to the countries of the region that there be a peace if such a thing can be found, and it is that, not U.S. manipulations of some kind or another. We are a basic power, and we have a role to play, and we want to play it.

Now, with respect to King Hussein, we know that King Hussein perhaps understandably feels hurt because we have denied him arms even though, I think, even those voting against selling arms to King Hussein will say, "Well, he is a friend and we admire him," and so on, and yet we sold some arms to Iran, who is in a totally different category, and that pains him, but that does not mean we cannot work with him and we are received by him, and he is a sensible and experienced person, and so we will do our best.

Senator BIDEN. Do you have any suggestions—my time is about up. Do you have any suggestions as to how we in the Congress can responsibly advance our obligations of bringing this is a conclusion after a thorough investigation? For example, have you commented on, and I apologize if you have—I should know, but I am unaware of it—have you commented or taken a position on whether or not Colonel North and Admiral Poindexter should be given limited immunity or immunity? Do you believe that would have any impact on the process, the speed with which we could get through it?

Secretary SHULTZ. I have not personally made any comment on that. The President has made a suggestion and I believe that this is something that the relevant investigative groups should consider. It is up to the special prosecutor and the two committees to reflect on that, and I think I am a believer that one of our problems in this Government is that we seem to have lost sight of the reasons for specialization. The reasons for specialization are that if you try to do everything you are not going to be competent at anything, so you ought to focus on the things you are responsible for, and goodness knows, in my case it is enough, and other people are responsible for other things, and let them do it. So I am not going to express a view about whether there should be immunity given. That is for some other people to do.

Senator BIDEN. Notwithstanding my sometimes vociferous disagreements with you, I am a believer in you and I mean that sincerely, and if they let you do it I will feel a whole lot better about it. Thank you.

The CHAIRMAN. Thank you, Senator Biden.

Senator Trible.

Senator TRIBLE. Mr. Chairman, I arrived a little late, so I will pass.

The CHAIRMAN. Senator McConnell.

Senator MCCONNELL. Thank you, Mr. Chairman.

Mr. Secretary, if you recall, in August 1985 the Iraqis launched a rather successful air attack against Kharg Island and the oil production facilities that were considerably damaged and production was substantially down, and then inexplicably the Iraqis decided to terminate that activity, and air action against Kharg Island was not resumed for almost a year.

I am wondering if you have any thoughts about why. That attack was apparently quite successful and was not continued. As a result of failure to continue it the facility was back in operation within a couple of months. Do you have any views about why they stopped?

Secretary SHULTZ. I do not have any authoritative basis for making a comment on that. It always has seemed to me, and I think to most observers that the Iraqis with their generally superior equipment situation and their clear superiority in the air ought to be pushing those advantages, and from time to time they have, and with considerable success.

Senator MCCONNELL. Could the situation have been caused by the introduction of additional ground-to-air capability on the part of the Iranians?

Secretary SHULTZ. I do not want to get drawn into speculation about something I do not know very much about. I would have to go back and review those particular events and really study them carefully before I would feel comfortable in such a dialog.

Senator MCCONNELL. Were we providing any advice to the Iraqis at that point in time?

Secretary SHULTZ. I believe you have had the Acting Director of Central Intelligence testify before you in a closed hearing about intelligence matters, and so I think I will stay away from them in this open hearing.

Senator MCCONNELL. The Iranians, if you recall, captured Al Fao in February 1986 and began to build for another major offensive which was expected in the fall of 1986. In fact, it started in January 1987. I wonder if you have any views about why that year delay.

Secretary SHULTZ. Well, there was a long period in which it was constantly rumored and talked about by the Iranians and around the intelligence there was this so-called final offensive, big offensive, and it did not seem to come. Exactly why the Iranians postponed it or whether or not they were putting out information just for the purpose of leading people to think something that was not so or whatever, I do not know. And precisely all of the nature of the current offensive and the degree to which all of their forces have been employed I think is still a question.

Senator MCCONNELL. Given your general awareness of the plan to provide arms to Iran, did you suspect when these two rather dramatic changes in the prosecution of the war occurred that maybe somebody had gone ahead with the arms sale in spite of your best advice?

Secretary SHULTZ. So far as I am aware in mid-1985 there were no consequential sales of arms to Iran that could have had an impact on, for instance, Iran's capability for antiair.

Senator MCCONNELL. Given the revelations of the last couple of months, and again, looking down the road, which is what most of us have been interested in doing, assuming there are some elements in Iranian society that would like to reestablish some kind of relation with the United States in particular the merchant class, what do you think our chances are now, looking down the road for improvement, given the general hardening of rhetoric after the sale was revealed by the Iranians?

Secretary SHULTZ. Well, as I have said in my testimony, I think there are certain strategic underlying considerations that make Iranian behavior important to us and make a relationship with us of significance to them, and that those considerations have emerged and been, no doubt, responsible for the relationship that we have had in past years, and I would expect that over time those considerations will assert themselves. In the meantime, however, there are certain things about Iranian behavior that are things that we believe have to be changed, as I testified, before one can imagine any kind of good working relationship, and those things are the war, the use of terrorism, including the holding of our hostages, and the threats of subversion in the neighborhood, so we would like to see that pattern rearranged.

Senator McCONNELL. Given the current atmosphere I suppose it is virtually impossible for any pro-American sentiment to be expressed in Iran in any direct way, would you say?

Secretary SHULTZ. I think that the prospects are dim, although not necessarily nonexistent insofar as certain things are concerned. For example, without there being even any discussion of it, it is clear that their concerns and ours about the Soviet presence in Afghanistan are quite parallel. And just as we are trying to help the freedom fighters in Afghanistan, so are they, and of course they are geographically close to it, and there are refugees in their country, so they have a considerable stake. That is an illustration of something where our actions in fact are pushing in a parallel direction even though we do not consult about it. But that just shows where the interests are parallel, just as we see things where they are divergent.

Senator McCONNELL. Is it your judgment they are just about as anti-Soviet as they are anti-American?

Secretary SHULTZ. I think there are variations in view within Iran about the Soviet Union and about the United States, and right now they do not have a lot of use for either country, by and large.

Senator McCONNELL. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator Simon.

Senator SIMON. Thank you, Mr. Chairman.

Mr. Secretary, Senator McConnell has just been discussing the relationships with Iran. I think there is a general feeling that while the arms sale was clearly the wrong thing from every perspective, that approaching Iran, however informal those approaches are, is desirable. I am interested in your philosophy about what we ought to be doing. And, if I may quote Senator Evans here, and I think I have it written down correctly, he said, "It is desirable to maintain correct relationships with all nations." What about nations where it is desirable to pull them away from the Soviet orbit as we clearly want to do in the case of Iran as well as Cuba, Vietnam, or Angola. Any reflections on what we ought to be doing in these other areas or just in general with nations where, for one reason or another, there has not been a good relationship but where clearly we have some policy objections.

Secretary SHULTZ. Well, I think in terms of the policy objective, if we subscribe to what you said, then we have to ask ourselves tactically how do we maneuver given the facts and history of this situation and that situation, and our tactics vary. We think in accordance with what we find and what we think will be effective.

Senator SIMON. Is this an area that is periodically reviewed so that there are people who are questioning whether what we are doing right now toward Vietnam makes sense? Is our policy toward Angola one that really makes sense?

Secretary SHULTZ. Yes, we discuss these matters periodically and of course we think about them within the Department, and I assume others do in our bureaus, and right now, as Mr. Carlucci has taken up the burdens of his office and is working with me and others and us with the President, we are reviewing where we are in a variety of cases and developing policy statements and trying to have a continuing process of orderly examination of not only what our broad objectives are, but tactically what are we doing and are these the right things to do?

Senator SIMON. Let me shift.

In your statement, in referring to the Iran-Iraq war you say, "I think both sides understand we share an overriding common interest in finding an early end to the war. For our part, the United States will continue to pursue this objective."

What are we doing to pursue that objective?

Secretary SHULTZ. We support all credible diplomatic initiatives, and there are quite a few. And we are glad to see countries who have relations with both in their efforts and we listen, and I am particularly interested when I meet with foreign ministers who visit both countries to talk to them. And I might say in response to some of the questions I was getting asked, I think by Senator Evans, that we have an impact not only by whatever direct discussions we might have, but also by talking with other countries whose relations with both parties may be a little easier than ours.

So we do not have to do everything. So those are ways in which we approach it. I am afraid I have lost the thread of my answer to your question.

Senator SIMON. Just really what are we doing to promote peace?

Secretary SHULTZ. We are following all possible diplomatic initiatives. That is one thing.

Second, since we observed that Iraq is ready to sit down and try and work out an end to this war but Iran is not, we think that our best course of action is to try to deny Iran a means of continuing the war, the military capability. And so we refuse to sell them arms ourselves, and we refuse to consent to countries who have U.S. arms transferring them to Iran.

And, for a number of years—and we continue this strongly and I want to take this occasion to reaffirm it—we continue with our so-called Operation Staunch—that is, to persuade other countries to refuse to sell arms to Iran. And we have success with that, not, I am sure, because we are so persuasive but because other countries can see that they have a similar interest to ours and are glad to work together in an effort like that.

So those are the sorts of things that we are doing.

Senator SIMON. And, for example, when our hostages were in Tehran we asked Algeria to do what Algeria could do, and Algeria clearly played a very key role. Are we making approaches like that to Algeria and other nations who do have influence in Iran to see what they can do?

Secretary SHULTZ. Yes. Of course I do not know whether you are talking about with respect to the Iran-Iraq war or whether you are talking about hostages. You switched to the hostages.

Senator SIMON. I am talking specifically about the Iran-Iraq war.

Secretary SHULTZ. Yes. Well, exactly. People come back to and report to us a certain sense of futility. As one foreign minister said to me, the problem in Iran is that they think they have a vertical hotline.

Senator SIMON. If I may finally follow through on a question that Senator Biden asked you, I think one of the finest diplomats this nation has is Dick Murphy, Ambassador Murphy. But his shuttling between Israel, Jordan, Egypt does not indicate the same Presidential concern as would the same shuttling by the Secretary of State.

Has there been any discussion or is there any consideration being given to the possibility that you might play a greater role? I have the feeling that at a few points you were teetering very close to having some kind of agreement or, at least, an agreement to sit down between Jordan and Israel. I have great confidence in your ability personally, but I think simply your presence there would be an indication to King Hussein, as well as to the other parties in the Middle East, that this really is a major concern to the United States.

Any reflections?

Secretary SHULTZ. Well, I think without referring to me personally I think that travel by the Secretary of State of the United States of America to some region or country is an important event, as is the importance of our country, and that holds true in the Middle East. It is important to go, I believe, if there is any prospect of accomplishing something.

I do not think it has to be an odds-on favorite. I think you should be willing to take risks or work off of relatively small probabilities if there is something important that can get achieved. At the same time I think that if you travel fruitlessly that that can be a negative.

Now all through last year we had, as you noted, at some times some rather promising negotiations. Of course, I met with the parties here a great deal, and the President did. Practically everybody was in Washington at one time or another, or in New York, so we had lots of direct face-to-face meetings.

But during the course of that and during the course of our intensive efforts to help Israel and Egypt find a way out of the impasse I think everybody knew in the region that I was prepared to come practically at a moment's notice if it would do some good. And they are as concerned not to have a wasted effort as we are. So I am prepared to go if there is something to be accomplished, and it may very well be that even outside the context of some particular negotiation just to go and visit, as Members of the Congress do and the Senate, at some point might be a good thing for me to do.

Just because it is one thing to talk to somebody here, it is another thing to go into their environment and sort of have them tell you how the world looks to them. It is negative in that sense.

The CHAIRMAN. Senator Boschwitz.

Senator BOSCHWITZ. Thank you, Mr. Chairman.

I apologize to the Secretary for not being here earlier. I was at the leadership meeting at the White House and we discussed, among other things, the subject that brings you here to the Hill today.

I just was wondering. I understand that you have been asked about who is giving leadership to the foreign policy of the United States and it comes to my mind to ask how much time you must devote to other things. For example, how many times have you been up on the Hill testifying in the last 3 or 4 weeks before committees of the Senate and of the House?

Secretary SHULTZ. Well, I do not know offhand, but I spend a lot of my time on the Hill, and I am glad to do it because I think part of working on these issues is testifying, answering questions, and listening to what Members of the Congress, Senate and House, have on their minds, and to do it in individual sessions.

So I do not look upon it as something that is a diversion from my job. I think for the most part my job is here in Washington with the President and with the Congress.

Senator BOSCHWITZ. I would imagine that if I were in your position that would be a charitable assessment of all the hearings that you have had to come to.

Secretary SHULTZ. There are some times when I wish a hearing would end.

Senator BOSCHWITZ. And I know that one of the comments of the White House was that you were spending an enormous amount of time up here, and I know that that is an important element of your job—the relationship between the Hill and the State Department.

One of the things that has interested me about the entire Iranian affair was the picture it presents of the internal scene in Iran. After all, these contacts went on for many, many months. It was, I think, as long as 18 months before they became known through the weekly in Lebanon, and it has caused me to wonder about the situation inside Iran. We always hear talk of factions vying against each other in Iran. It would have seemed to me that some of the information would have gotten out a good deal sooner if there were such an intense power struggle.

Would you assess whether or not on the basis of that could one draw the conclusion that the government of Iran perhaps is more together or is more unified than we are given to believe?

Secretary SHULTZ. I believe that there are a wide variety of views within Iran, people whose views about the war and about the way their economy is going and about their relationships with us or other countries. It is clear that they have made and have been making an effort in recent times to get around and put themselves forward in the world.

So I am sure that there are variations of view and I would not want to put adjectives along side those varying positions to suggest relative degrees of what one might call moderation. It is that there are differences of views.

Now at the same time—and this is just me; this is not an intelligence community assessment or any type thing, just my own way I think about it—if you consider the casualties that they have sustained in that war and the damage to their economy and you consider that they are carrying that war on, you have to reflect that it has to be a reasonably strong government to be able to do that.

If it was a weak government, maintaining the flow of people into the armed forces to go and fight and die on that scale and so on, I doubt you would be able to sustain it. So some idea that somehow it is being ripped to pieces and if we just stand around for another few months it will fall of its own weight, I just do not believe it. Maybe it will happen, but I do not believe it.

Senator BOSCHWITZ. I agree, Mr. Secretary. And I add the fact that these negotiations could go on for such an extended period of time with secrecy maintained. It would seem to indicate, too, that there is a certain unity to that government that is also expressed for the reasons you outlined.

Is there any evidence that since this whole matter has come to public view that more arms have gone forward? Since the revelations with respect to our own actions have come before us, is there evidence that the arms merchants in other countries of the world have increased their shipments to Iran?

Secretary SHULTZ. I do not know of such evidence, but I will not say that it has not happened. I think the strength of Operation Staunch is not simply or perhaps mainly our persuasive power but, rather, what the reason for it is and the fact that other countries feel that the reason is a good reason and therefore take action in parallel to ours and are encouraged to do so by a feeling that they are part of a general picture and not being undercut by others.

And so I think that is what gives strength to the effort and we are continuing it and intend to continue it as strongly as we possibly can. It is now under the control of Ed Derwinski in his role as counselor. I hope that you will have a hearing on his nomination by the President as under secretary to confirm him. He is a terrific person. He is doing a wonderful job and this is one of his responsibilities.

Senator BOSCHWITZ. Mr. Secretary, I and Dick Murphy and my friend, Senator Simon, who has just left, have been shuffling around the Middle East during this past recess. I was confronted in those countries with their reactions to our involvement with Iran. Most said they were mystified and could not understand our policy and its continuity. I said in turn that they sometimes mystified me with respect to their policies and gave them a few examples over the past few years when some of the policies of some of those states were a little bit difficult to understand.

But I wonder if you would assess how much damage has been done to our relationship with some of our friends, moderate or otherwise, in the Middle East and if Dick Murphy's trip has quieted that. How do you assess the relationships now as opposed to the prior revelations concerning Iran?

Secretary SHULTZ. I think we have good working relationships, fundamentally because we have important common interests and a long track record of working constructively in the region and with those countries.

When people say they are mystified by the policy, what they usually mean is they are not mystified; they do not agree with it. And by and large the states of the region that we work with do not agree with selling any arms to Iran. And I think the force with which we are saying whether you agree or not with the idea of a signal in that form, the signal has been given. We do not have to give any more signals. There will be no more arms shipments.

We want to say that. We reinforce that. The fact that the President has said that and it is clear that that position is the position that is practically universally supported gives it strength. And now I think what we need to do is to work at our business energetically and, as people have been hurt or aggrieved, as King Hussein clearly is, well, we just have to understand that and work with him.

He sees the equities involved well enough, and I hope that we will be able to construct that situation.

Senator BOSCHWITZ. That is my impression as well.

The CHAIRMAN. Senator Sarbanes.

Senator SARBANES. I will defer to Senator Adams.

The CHAIRMAN. Senator Adams.

Senator ADAMS. Thank you. Mr. Secretary, it is a pleasure to see you again.

Secretary SHULTZ. It has been a while.

Senator ADAMS. Yes. I want to apologize for being late. I rode Metro this morning, and as one who has been involved in transportation policy, I need to say that as a matter of transportation policy never have so many contributed so much with such hope and have received so little in their time of need.

Secretary SHULTZ. That subject is out of my jurisdiction.

Senator ADAMS. I thought it might be.

Mr. Secretary, in the first page of your statement you indicate that, and I quote, "It is important to focus on U.S. policy toward the war and the region at large." My first question is, Iran is a leading core foreign policy issue for the United States; is it not?

Secretary SHULTZ. It is an important country. The war is an ongoing bloody encounter that we would wish to see ended, not only for its own sake but also because of its potential spillover into the gulf area, as I tried to bring out.

Senator ADAMS. But Iran and hostages have been a foreign policy concern of a core nature to the United States for a great many years, have they not? I just want to differentiate it from other sorts of issues. I know you have many responsibilities, but this is one of the top core foreign policy issues of the United States; is it not?

Secretary SHULTZ. Well, it has been a matter of great interest and concern for us. There is just so much you can do about it, and I can think of other things that I know I have spent a great deal more time on than that.

Senator ADAMS. Let me be very direct as to what my problem or my point is in the question. I questioned Mr. McFarlane when he was here, as well as former Secretary Vance. And Mr. Vance stated that there are certain core issues that face the Secretary of State, and I agreed with him, and I believe I agree with you on that.

And I inquired of Mr. McFarlane and he stated that in 1985 he had given you the detailed scope and intent of the President's position. I asked him about 1986, and he said that he had a four-page memorandum of instructions and that he was told by the National Security Advisor, Mr. Poindexter, that Mr. Poindexter had talked with you about his instructions. And he indicated at another point in his testimony that he had talked with you a number of times about Iran arms shipments.

So there seems to be a difference of opinion, you having stated your opposition and he having stated that as a foreign policy matter you were informed. That factual issue is not something I am directing my inquiry toward. My inquiry is directed toward the fact that Secretaries of State are members of the National Security Council.

I wanted to know, one, whether you attend and, if you are busy testifying on the Hill or elsewhere, if somebody else attends and if that person reports to you on core foreign policy issues. That's my first question.

Secretary SHULTZ. The answer is "Yes."

Senator ADAMS. All right. Now following on that and Iran being a core issue, do you maintain a daily contact with the President either orally or written by means of a pouch which goes directly to the President as your direct channel of communication on major foreign policy issues. I am not talking about everything, but major foreign policy issues, core issues.

Secretary SHULTZ. There are various ways in which I take part in the deliberations. There are formal ways in which a subject is examined and a paper gets produced that results in a decision directive of some kind, usually a study directive and a decision directive, and that gets looked at by the various Departments and heads of the Departments and, depending upon the issue, discussed and then signed by the President eventually and issued. So there is that kind of formal process.

Then there are innumerable occasions during any typical week in which for one reason or another I am over in the White House at a meeting on one subject or another, and weigh in on that subject and may have a word with the President on the side. The National Security Advisor meets with him every morning and gives him a briefing, and if there is something I want to have recorded in that briefing I do that.

Senator ADAMS. What I am concerned about is that there is an operation going on, operating American foreign policy, that is not under the operational control of the State Department. I know Mr. Carlucci, as you do. I have a great deal of confidence in him, but he has indicated, for example, that he happens to—he either favors or he agrees with the President's decision—I guess that is it—on, for example, aid to the Contras.

I am trying to determine if foreign policy is being operated outside or around you or the appropriate officials reporting to you on core issues, on major decisions in the foreign policy of the United States, Iran being one, and if it is, I would like to have you tell me or, if you know.

Secretary SHULTZ. Tell you what?

Senator ADAMS. Whether or not there is an apparatus operating outside of the State Department conducting foreign policy decisions such as sales of arms to Iran or sales of arms to the Contras which are key issues that you, I would hope, know about and decide and give policy advice to the President on.

And that is what I am trying to determine, if you believe there is an apparatus out there and if it is operating on its own.

Secretary SHULTZ. Well, the answer is that there are clearly many out there that operate outside the province of my Department.

Senator ADAMS. On core issues?

Secretary SHULTZ. Well, there are 100 Senators that travel a lot and a lot of Representatives who travel a lot, and they express their views. And that is perfectly proper to do.

There are all kinds of influences on foreign policy that I do not have control over, but insofar as the operation of the executive branch is concerned it should be that whatever the President's policies are the Secretary of State should know about them and, by and large, it is up to the State Department to be the executor and manager of the foreign policy.

Insofar as the question you raised about the arms sales to Iran, obviously there was a group in the NSC who were doing that, and it was outside the State Department and I think it was a mistake.

Senator ADAMS. I understand you think it was a mistake. But what I am concerned about is the fact that Mr. McFarlane, as a private citizen operating with other private citizens, received what he described as a four-page set of instructions.

Secretary SHULTZ. No, I do not think that is right.

Senator ADAMS. He told me that he had a four-page set of instructions of what he was to do in Tehran in early 1986, and he stated that Admiral Poindexter told him that you knew about it and had in effect, I do not know what you had done with it but that you knew about it and that he was operating on the assumption that it was U.S. policy.

And that is what is concerning me. It is not that there are Senators traveling or other people traveling, but that on a very important and delicate mission, a private citizen is going over there, and whether you knew about it or not and whether there is still an apparatus such as that operating in the Government.

Secretary SHULTZ. Are you ready for my answer?

Senator ADAMS. Please.

Secretary SHULTZ. Mr. McFarlane undertook his mission, as I understand it, as a special representative of the President. It is not at all unusual in our Government that the President will ask some private citizen to undertake a mission. I have done it myself as a private citizen on two prominent things and done it for the President and working with the Secretaries of State and Treasury.

There is nothing wrong with that. It is unusual, but it is the sort of thing that happens.

Now, insofar as that particular mission is concerned, as I have testified before the Senate Intelligence Committee and before the House Foreign Affairs Committee, I was told by Admiral Poindexter—and all of this is in the testimony; I do not have all the dates in my mind—about a proposed meeting that was to be in Frankfurt in which there would be a high-level dialog established and that the consequences of our willingness to have that kind of high-level dialog would be the release of the hostages. They would get released at the time of the meeting.

And I said, "Well, fine," and that Mr. McFarlane had been selected by the President to be that emissary. And that is a pretty good selection in that it is known that Mr. McFarlane was close to the President, had been the National Security Advisor and so on. I said "Fine, but I think there should be written instructions for such a mission and I would like to see those instructions." And so I was shown some instructions. I had no problem with those instructions.

Now insofar as the mission that actually took place is concerned, I assumed that those were the instructions. But I am just making that assumption.

The CHAIRMAN. Thank you very much, Senator Adams.

Senator ADAMS. Thank you, Mr. Secretary.

The CHAIRMAN. Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman. Good morning, Mr. Secretary. There is some Alaska sunshine out there for you when we finish.

You indicated that you had testified before the Senate Select Committee on Intelligence, of which I am a member, and, as you know, that committee did finish a report. The committee debated on the merits of releasing that report after it was declassified. Your testimony was included in that report. It failed on a 7-to-6 vote within the committee.

Do you have an opinion on whether or not you feel that report should be released to the public?

Secretary SHULTZ. A State Department person was invited to look through the report from the standpoint of being sensitive to things that might be a problem for a foreign leader or considerations of that kind, and that was done. But I have not seen that report and I will confine my statements to my view, and this is very much in support of the President's view, that the sooner information is made available in a coherent, full way about all of this, the better. So I am in favor of getting it out.

And I have been following the President's instructions in testifying publicly in hearings and so on whenever I am asked by anyone.

Senator MURKOWSKI. There have been allegations that the United States has been manipulated by Iran and the facts of that are open to obvious consideration. But it has been suggested that as a consequence of the issue between the United States and Iran that the morale of the Iranians has increased dramatically; that this has been detrimental to the Iraqis and devastating to Iraq; that as a consequence, in the conflict that is taking place there is a perception by the other nations in the gulf states that the United States has allowed itself to be manipulated.

This is having an effect on the attitude of Iraqis in the sense of how firm they are being in their war effort against Iran. Could you comment on your assessment of whether indeed you feel that there has been a blow to the morale of the Iraqis and their commitment and dedication?

Secretary SHULTZ. Well, I think that words like "devastating" and some of the other words that were used are gross overstatements. They are adjectives or adverbs that do not properly connote the situation. Obviously it is a strain for our relations with Iraq and as all of this has emerged I think the Iranians can take comfort from the fact that we are so clearly bothered by all this.

The actual amount of arms in contrast with the total amounts of arms in this situation are very, very small, and I think the main influences on morale and things of that kind have to do mainly with the conditions in the country and the battlefield and the number of casualties and things like that. They are very primary.

Senator MURKOWSKI. You touched on it in your opening statement and I wonder if you could go a little further as to what you see our obligation being to the gulf states in the event that Iran is successful in its conflict with Iraq. We would not want to see them subservient to a combination of Iran and Iraq and the effect could be substantial in the sense of overpowering those smaller gulf states.

We do not want to stand idly by. What do you suggest we do if that should happen?

Secretary SHULTZ. Well, I earlier declined to speculate on what happens if one side or the other wins, and I think I will stick with that position. However, we have publicly and privately assured the gulf states of our commitment to them, our commitment to the openness of the Strait of Hormuz. We issued a public statement which I read, our President did on Friday, I guess it was, which has been welcomed in the region.

And the vital stakes that we have and our allies have in the region are quite obvious and are the fundamental reasons for that posture, which I might say goes back into the days of the Carter administration. So it is a clear bipartisan view.

Senator MURKOWSKI. The reason I asked is you indicated that our position with regard to Iran and Iraq should be neutral, but the implication was of going further. In the event that Iran is successful, the implications to the gulf states are significant.

Secretary SHULTZ. Yes, of course.

Senator MURKOWSKI. We can only speculate on what they might be.

Secretary SHULTZ. We have a policy of wanting to see the war end without vanquished or victor and with the territorial integrity of each country intact. We do have diplomatic relations with Iraq. We do not with Iran. So there is some difference between the two countries.

Senator MURKOWSKI. My last question, Mr. Secretary, involves the energy crisis that appears to be inevitable, based on the fact that our imports of crude oil currently constitute about 40 percent, and by 1990, it is anticipated, may be as high as 55 percent. We are told that our domestic production is decreasing by about 800,000 barrels a year. While we are concerned, obviously, with the continued conflict between Iran and Iraq, the realities of what is likely to happen to world oil prices should the Iranians prevail in that conflict are really significant.

Suggestions have been made that it could cause oil to go to $50 to $55 a barrel. The effect that this would have on inflation, interest rates, and our economy in general are a matter of speculation, but the reality is that there would be a power base in the Mideast that is not now in existence. The ability of that power base to dictate the price of oil that would prevail, and to mandate that the other gulf states follow along, has got to be a major concern of our foreign policy, though perhaps Secretary Herrington should be up here to discuss that as well.

I am wondering how you assess that consideration, as well as the political considerations that you have focused on, when you determine our current posture of noninvolvement in the Iran-Iraqi crisis.

Secretary SHULTZ. From the standpoint of impact on oil supplies the effect of the Iran-Iraq war is to curtail that. Neither Iran nor Iraq is supplying anywhere near the barrels per day of which they are capable and whatever spillover into the gulf there is tends to dampen that a little bit. So if the war ended, I do not think the supply situation would be worse. It would probably be better.

Turning, however, to longer term considerations——

Senator MURKOWSKI. Could you tell us how you propose the war should end, though? What would be the effect, for instance, if it ended with just a stalemate as opposed to a victory for one side?

Secretary SHULTZ. A victory for one side would complicate matters, but it still is true that as a factual matter the oil is there in the ground. There is a lot of it in both Iraq and Iran. It is not being exploited now, and presumably if a period of stability emerged there would be an incentive to produce that oil.

Now you can question the degree to which the ability of OPEC to exercise its monopoly power would be able in and of itself to ricochet the price up. You used the number $55 a barrel. I think the evidence is very powerful that if we just keep our cool and let the market operate that the market can deal with that kind of a situation.

And as for short-term emergencies, I think it is good that we have the strategic petroleum reserve and my own opinion is if we can find the money some way or other we should keep filling that. And when there have been critical moments it has been a very useful fact in the situation.

Now I do have a feeling myself that we have the danger in this country of slipping back into uses of gasoline in particular for transportation purposes that are too free and the conservation that was obtained when the prices were higher was basically good and it would be good if we can retain those conservations.

To some extent we will, but there is a danger of slippage. It is the use of energy in the form of gasoline that is the greatest problem because that is the form of energy that we do not seem to be able to figure out a substitute for, whereas for the production of electricity or something like that there are other ways to get lots of coal.

Senator MURKOWSKI. Thank you, Mr. Secretary. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Sarbanes.

Senator SARBANES. Mr. Secretary, were you aware that McFarlane was making a mission into Tehran in May 1986?

Secretary SHULTZ. My records do not show any notation. I have said, however, that I had a notation—and I testified; I think you were here when I said it—about the proposed mission to Frankfurt, which did not take place, I was told, because for some reason Mr. McFarlane objected.

My notes do not have anything about his mission to Tehran and my recollection is not—I do not feel really confident about it, but my recollection is that I became aware of it after it had taken place, and I have a vague notion of asking somebody where he stayed, because I had once stayed there.

Senator SARBANES. What do you think of the wisdom and prudence of placing a person who had been the National Security Advisor only 5 months before, and who had held that position for a very sustained period of time, in such an exposed position in terms of being seized and held as a hostage?

Secretary SHULTZ. Well, I have expressed my views about this on a number of occasions, and I would just reiterate them here. I might say I had no objection to the mission to Frankfurt.

Senator SARBANES. Frankfurt is a different place than Tehran.

Secretary SHULTZ. It was a different place, and the talking points that I saw and the way it was described to me, I thought it was fine.

Senator SARBANES. But you agree that it is not very wise or very prudent to place someone who has held that kind of post in our Government in such an exposed position; do you not?

Secretary SHULTZ. It certainly is a question because there is a tremendous amount of intelligence information that he has in his possession.

Senator SARBANES. On the question of the Iran-Iraq war, there is a story in today's Washington Post, a dispatch from Tehran, that is headed "U.S. Arms Cited in Iran: Major Role Seen in Basra Offensive." It begins: "U.S.-supplied arms and spare parts may have played a major role in the partial success so far of Iran's current offensive against the defenses protecting the strategic Iraqi port of Basra." It goes on to note that antitank and antiaircraft missiles and the spare parts for the Iranian air force all seem to have been of significance in the offensive.

This raises a question about assertions which have been made that these arms could not impact upon that war. Has that been your view?

Secretary SHULTZ. I think it is very difficult to evaluate precisely what impact a particular weapon in the volumes involved in a particular operation is because we do not know. We do not have the information. Basically the small volume of these arms in comparison with the total volumes involved would suggest that they are not a key determinant and that has been said. And I think there is a certain common sense to that.

You are talking about a flow of arms in the billions and billions, and the arms sales that were made by the United States were a few million dollars of that, apparently.

Senator SARBANES. Well, this article suggests that it may have been critical. From reports that they have received, the arms transfer appears to have enabled the Iranians to negate to some degree the Iraqi strength both in tanks and air power, and also to get some of their own air power into action.

Secretary SHULTZ. As I say, I do not have factual information on which to respond to that. I would point out that it probably is to the Iranian advantage to get people to think that that is so, so you would have to have that in your mind when you evaluate the statement.

Senator SARBANES. Did the possible effect of the arms transfers on the balance of the war contribute to your opposition to such a transfer?

Secretary SHULTZ. There were many reasons in an argument pro and con that you could give against the arms sales, and I gave quite a few arguments.

Senator SARBANES. Would this be one of them?

Secretary SHULTZ. That is one of them.

Senator SARBANES. In this instance——

Secretary SHULTZ. Not that it could play a critical role. That would depend on the nature and the volume. The volumes were very, very low. But I think that some is more than none.

Senator SARBANES. Do you believe there are moderate elements in Iran to which the United States could make an opening?

Secretary SHULTZ. I believe that there are people with varying opinions about leading subjects, including the United States. Whether you want to call them moderate or conservative or whatever label you want to put on them, operationally I think there are a variety of opinions. But I also think, based on their capability to conduct a war of this scale and savagery that the government must be a strong government in the sense of being able to control its members.

Senator SARBANES. Would you agree with me that if there were such elements and they were to become identified as having engaged in any sort of discourse with the United States, that in Khomeini's Iran they would probably be finished, or at least in serious jeopardy?

Secretary SHULTZ. I suppose that depends on how it is viewed, which we do not know, and the degree to which, which we do not know, the authorities, including Khomeini, were knowledgeable or involved in whatever it was that took place.

Senator SARBANES. Do you think it is possible to make such an opening, including a transfer of arms, without Khomeini or people close to Khomeini being aware of it?

Secretary SHULTZ. I suppose it is possible, but I would think it is unlikely. After all, one of the purposes was to give a signal to those in authority in Iran that there was a different kind of relationship possible under certain circumstances.

Senator SARBANES. Now it has been reported in the press that you threatened to resign unless you received full control over U.S. policy toward Iran. Is that an accurate report?

Secretary SHULTZ. No.

Senator SARBANES. Does the Department now have full control over policy toward Iran?

Secretary SHULTZ. The President has control of policy toward Iran and he has asked me to manage that for him.

Senator SARBANES. To what degree has the disclosure of secret U.S. arms sales to Iran undermined Operation Staunch, our international effort to develop an arms embargo against Iran?

Secretary SHULTZ. Probably it is a problem for us. On the other hand, the strength of Operation Staunch rests on the rationale for it, which has to appeal to other countries as much as to us, and it is that underlying rationale that remains very much intact and is the basis for pursuing it.

Senator SARBANES. Do you expect we will be able to press it as hard as we did prior to the revelations about our own arms transfers to Iran?

Secretary SHULTZ. We certainly intend to.

Senator SARBANES. I have one tangential question really, but first I want to say that I appreciated your response to Senator Boschwitz because I do think that getting the Executive and Congress to be working together wherever we can, is something very much to be desired, and I think the appearance of the Secretary before the Congress is an important part of that effort. One of the things we obviously need to do is to focus on other areas to make sure that troubles do not develop that we had not anticipated.

In that regard, I am concerned about what is happening between India and Pakistan.

There have been what I consider to be very ominous developments, including the movement of troops into respective border areas, although there have now been efforts on both sides to try to tone that situation down. I was wondering how you perceive it. What are we doing, and what do we expect to happen?

Secretary SHULTZ. It does seem, as you said, to be settling back a little, and that is what we expect to happen and certainly would want to see happen. We are very strongly represented in those countries and we keep in very close touch. Under Secretary Armacost was in the region in Pakistan very recently, largely for the purpose of consultation about Afghanistan, but of course he listens to other things as well. So we try to stay in close touch.

I would like to believe that whatever influence we have helps move things toward a more stable relationship between India and Pakistan. It would be helpful to all if that can take place, and there have been movements in that direction. I think particularly Prime Minister Rajiv Gandhi from the Indian side would like to see that.

Senator SARBANES. You are not apprehensive then, I take it. You feel that there is going to be a step down from the tensions that have taken place there recently?

Secretary SHULTZ. Well, I certainly am concerned about it. I do not want to act as though there is no problem there. Obviously there are problems and at the same time I think indications are that they are not about to explode and the key people on both sides have a capacity to talk to each other, a desire to talk to each other, and a recognition that the outbreak of hostilities would be a very bad thing.

The CHAIRMAN. As I understand it, Mr. Secretary, you should be departing from here soon; is that correct?

Secretary SHULTZ. I was to be giving a speech about 5 minutes ago. But this is more important, so I am willing to stick with it.

The CHAIRMAN. Senator Kerry.

Senator KERRY. I just have a couple of questions. Mr. Secretary, there are a lot of analyses about what the effect of this arms sales has been or is. One of them was summed up in an article in the Post just a couple of days ago by a fellow with the Center for International Strategic Studies at Georgetown. I would just like to read a couple of sentences from it and ask you to comment on it, if you will, particularly in light of the current hostage-taking, about which I have a question.

Secretary SHULTZ. The current what?

Senator KERRY. Particularly in light of the current hostage-taking in Lebanon.

The article, just a small portion of it, says that "of all the arenas in which U.S. arms sales to Iran could have a damaging impact the Iran-Iraq war is the most immediate and arguably the most important. An Iranian victory over Iraq could well constitute the most serious setback to Western interests in the Middle East since the end of World War II. The collapse of Iraq would increase exponentially Iraq's capability to undermine the security of oil supplies from the gulf, the political stability of conservative Arabs in the gulf, and, furthermore, with Iraq out of the way the Ayatollah Khomeini could move to upset the balance on the Arab-Israeli front, a declared object that it is already pursuing through its henchmen in Lebanon.

"Finally, the demonstration effect to draw attention away from the exchange of an Iranian victory over Iraq might result in enough Islamic unrest in Egypt to overthrow the Mubarak government. In short, the bottom line for American interests in the Persian Gulf and throughout the Middle East is that Iraq must not fall."

Do you agree with that?

Secretary SHULTZ. I agree that it is not desirable to have a victory by either side or a victory by Iran.

Senator KERRY. Do you agree with that as being the fallout from this arms transaction, that each of those stakes has been raised with potentially negative consequences?

Secretary SHULTZ. All of those matters that you read off and, of course, there are a whole intricate set of things that I would have to read and think about carefully, but generally speaking those are problems that people identified. Whether it would all happen just like that article says is a different question.

Senator KERRY. Do you personally identify those as significant problems or stumbling blocks to our policy in the region now?

Secretary SHULTZ. Well, you read off a statement that must have had 15 or so conclusions or conjectures in it, and I cannot get them all into my head, and I do not want to make some sort of blanket statement that seems to agree with anything in a statement that I would have to read and think about carefully.

I am not sure what it is that you are getting at.

Senator KERRY. Well, the sum and substance is, I suppose, what the fallout from the arms transaction? Following up on Senator Sarbanes' questions, I think this morning's article made it very clear that Cobra gunships are flying that were not flying before, and that TOW missiles, some 2,000 of them, have a direct impact on Iraqi tanks. Those tanks are being now destroyed in ways that they were not before.

So the very goals of our policy of preventing Iraq from falling have in fact, at least in some Senators' perceptions and other commentators, been negatively impacted. That now is a greater reality that Iraq would fall and that that would have the severest implications for our policy.

The bottom line of this article is, and I will quote it, "To this end, it is of signal importance that the President clear up the confused political and diplomatic situation concerning the war by categorically refuting his initiative toward Iran." Now since you are controlling that policy or making recommendations to him, are you categorically refuting that initiative? Should the President? If not, why not?

Secretary SHULTZ. First, I think it is a gross exaggeration to say that the arms sales made by the United States are responsible, would be responsible for whatever happens in the Iran-Iraq war. That is just nutty. It is not proportionally that important. Obviously I do not want to just repeat the discussion I had with Senator Sarbanes.

Obviously some is more than none. It may or has some impact. I do not know exactly what impact it has, but when you consider that the total arms involved run into the billions of dollars' worth and the U.S. arms involved are a few million dollars' worth, that proportion has to impress you.

Now obviously we think the arms we produce are particularly good, and so perhaps they have some impact. I do not know the answer to that.

As far as repudiation is concerned, the President has said that there will be no more arms sales to Iran. He has also said that the idea of some sort of an initiative to see if it is possible to have a kind of relationship with Iran that might have some impact on their behavior, he has said that was an initiative that was worth taking.

Personally I agree with him, and I think, as I listen, most people do.

Senator KERRY. One other question. I would like to pursue that but I do not want to abuse the time privilege here.

By the way, I gather—I had a note handed to me that Abbas Hamadie, the brother of the arrested suspected terrorist in Germany, has been arrested in Frankfurt, so there are now two Hamadie's in custody. I wonder if you would care to comment as to whether or not you see this as an escalating tit-for-tat and how this will impact the current extradition process and set of hostage release efforts.

Secretary SHULTZ. The Hamadie business is a different matter. And he has been indicted in this matter for his participation in the TWA hijacking and murder of Robert Stetham. So we are seeking extradition so we can try him here.

He is also being held on charges in Germany, and just how the German authorities will work their way through this legal problem is something that remains to be seen. In the meantime, those who are associated with Mr. Hamadie, and undoubtedly they have their association with the Hizbollah, have been taking hostages. I made a count of it just since I left my office. Since Hamadie's arrest on January 13 there have been at least 7, possibly 12, foreigners taken, 3 of them Americans and the others of other nationalities.

So those involved are obviously trying to use that as a tactic to pressure the German Government into releasing Hamadie. I mean, that is clear. That is what is involved in that. And no doubt Hamadie's brother is an additional piece of the game.

Senator KERRY. Mr. Secretary, lot of Americans are increasingly expressing frustration, helplessness, if you will, that there is an enormous gap between the rhetoric and the actions of our Government in our dealings with respect to hostages. Certainly this administration more than any other in recent memory came to office on the political dead bodies of a lot of individuals who were associated with the prior hostage problem in Iran.

There has been an escalation of that rhetoric, I think, throughout these past 6 years, and yet as a result of this arms deal some people believe that hostage-taking now has a value and that it can be judged by some that somehow it pays.

How do we send them a message otherwise now and what recommendations are you making to deal with the current situation that would send a different message?

Secretary SHULTZ. First, I have been very much in the forefront of those calling attention to the problem of terrorism and wanting to see us develop a set of policies, which we have developed and which I think are good for dealing with the war on terrorism. We have got to win that war.

Now insofar as the business of making trades for hostages is concerned, I think that is a bad thing to do, for reasons that you have said and everybody else has said. I think that is true. And so what we should do now is be firm about it, and I think that to the extent that we can, not in any way lessening our determination about terrorism, but the more that is made of particular hostages, the greater the value in the eyes of those who took the hostages you seem to impart.

So I think you make the problem more difficult than less.

Senator KERRY. Let me just say, Mr. Secretary, that I know—and I do not mean by my question to imply that you have not been, because I know that you were the initiator of Operation Staunch—you are a strong and have been and continue to be, a strong advocate of counterterrorism measures. But my concern is more one of the gap between the administration as a whole, the White House perhaps, and current perceptions.

And I ask that from a policy perspective, What are you as Secretary of State at this point recommending with respect to it in light of the current frustration?

Secretary SHULTZ. My recommendations are as they have been before, and the President agrees with them. And, as the President views it, he did not trade arms for hostages. He gave a signal. Just repeating, read his speech. That is the way he views it.

The CHAIRMAN. Mr. Secretary, I have a couple of very specific short questions. First, how many professional positions are there in the National Security Council and how many under your control? In other words, what is the total size of the NSC professional staff and how many of those people are State Department employees?

Secretary SHULTZ. Well, that is a factual question and I do not have the exact answer, but I can get it for you. And I can tell you the number who are State Department people, but none of them are under my control. They are under the control of their boss.

The CHAIRMAN. But they are designated to the Security Council from you?

Secretary SHULTZ. Yes. Those have been—I said to Mr. Carlucci when he came on board that we wanted to be helpful and anybody that he wanted to ask for we would go out of our way to try to make available, assuming the person wanted to do it, and we have. And he is a pretty good picker, I must say. He knows where the talent is.

The CHAIRMAN. I am not concerned so much about the future as I am about the past, because I think there were too few people who were professionals in the National Security Council. So if you could submit those figures for the record as of, let us say, the first of the year, before Carlucci took over.

Secretary SHULTZ. You want the first of the year as compared with the last of January or something like that?

The CHAIRMAN. Yes. Before Carlucci took over.

Secretary SHULTZ. He took over on January 2, I think, although he was in the process of working at it. Maybe you would prefer to have it as of——

The CHAIRMAN. Mid December, say.

Secretary SHULTZ. Why don't I give you December 1 and February 1. It will not be until after February 1 that I will get the answer.

[The information referred to follows:]

As of December 1, 1986, nine State Department professionals were assigned to the professional staff of the National Security Council. As of February 1, 1987, 11 State Department professionals were assigned to the National Security Council.

State Department professionals assigned to National Security Council:

(1) As of December 1, 1986: Burghardt, Raymond, FE-OC; Burns, William J., FO-03; Dean, Robert Scott, FP-04; Lewis, James, FP-04; Mandel, Judy, FO-02; Matlock, Jack F., FE-CM; Pearson, W. Robert, FO-01; Steiner, Steven E., FE-OC; Tillman, Jacqueline, GM-14.

(2) As of February 1, 1987: Burns, William, FO-03; Dean, Robert Scott, FP-04; Cohen, Herman J., FE-CM; Oakley, Robert, FE-CM; Collins, James F., FO-01; McNamara, Thomas E., FE-MC; Flower III, Ludlow, FE-MC; Pearson, W. Robert, FO-01; Steiner, Steven E., FE-OC; Tillman, Jacqueline, GM-14; Lewis, James, FP-04.

The CHAIRMAN. My other question is about how many American citizens are presently in Lebanon and what can be done to get them out?

Secretary SHULTZ. The overwhelming bulk of the American citizens in Lebanon are Lebanese who are also American citizens. As a rough number, ballpark number, there are around 1,500. We cannot give a precise number.

The CHAIRMAN. But of those who are not dual citizens would you be able to give an approximate number?

Secretary SHULTZ. It is a very small number, and we continually press them to leave and offer them help in leaving, and I believe they should leave.

The CHAIRMAN. Could you not do the same thing you have done in Libya where I believe some Americans are still left there but you invoke the powers under the International Emergency Powers Act?

Secretary SHULTZ. That is under consideration. There is also another authority that I have having to do with passports that can be invoked, and we are considering the pros and cons of such an action.

The CHAIRMAN. I hope you will move down that path as vigorously as you can.

Secretary SHULTZ. I am interested to hear that that is your opinion.

The CHAIRMAN. This concludes this hearing. Prior to concluding I would make an announcement. The second meeting, scheduled for 2:30 this afternoon, has been postponed.

[Whereupon, at 1:05 p.m., the committee adjourned subject to the call of the Chair.]

APPENDIX

RICHARD G. LUGAR, INDIANA, CHAIRMAN

JESSE HELMS, NORTH CAROLINA
CHARLES McC. MATHIAS, JR., MARYLAND
NANCY L. KASSEBAUM, KANSAS
RUDY BOSCHWITZ, MINNESOTA
LARRY PRESSLER, SOUTH DAKOTA
FRANK H. MURKOWSKI, ALASKA
PAUL S. TRIBLE, JR., VIRGINIA
DANIEL J. EVANS, WASHINGTON

CLAIBORNE PELL, RHODE ISLAND
JOSEPH R. BIDEN, JR., DELAWARE
PAUL S. SARBANES, MARYLAND
EDWARD ZORINSKY, NEBRASKA
ALAN CRANSTON, CALIFORNIA
CHRISTOPHER J. DODD, CONNECTICUT
THOMAS F. EAGLETON, MISSOURI
JOHN F. KERRY, MASSACHUSETTS

M. GRAEME BANNERMAN, STAFF DIRECTOR
GERYLD B. CHRISTIANSON, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, DC 20510

December 18, 1986

Dear Mr. President:

As the commission headed by Senator Tower proceeds with its study of the National Security Council staff, I wanted you to have my views on this matter.

First of all, I feel very strongly that the NSC staff should be prohibited from engaging in any operational activities, whether covert or overt. The NSC staff should confine its activities to the traditional role of advising the President and coordinating the implementation of his policies.

Second, I believe that the Assistant to the President for National Security Affairs should always be a civilian with broad diplomatic experience. Frank Carlucci is such a person, and I commend you for appointing him to the post vacated by Admiral Poindexter. There will always be a role for military officers on the NSC staff, but their experience and training would be best utilized, in my view, in connection with the strictly military aspects of national security.

With regard and respect, I am

Ever sincerely,

Claiborne Pell

The President
The White House

THE WHITE HOUSE
WASHINGTON

INFORMATION

January 12, 1987

MEMORANDUM FOR THE NSC STAFF

FROM: FRANK C. CARLUCCI

SUBJECT: Covert Action Procedures

There are two authorizing documents which provide guidelines for the conduct of covert operations. Executive Order 12333 (Section 1.2) of December 4, 1981 states that the National Security Council shall act as the highest Executive Branch entity to provide review of, guidance for and direction to the conduct of all national foreign intelligence, counterintelligence, and special activities and attendant policies and programs and NSDD 159.

The Executive Order further provides that no entity other than the CIA or the Armed Forces of the United States (under clearly defined circumstances) may conduct special activities unless the President specifically determines otherwise. Special activities, under the definitions described by the Executive Order, are Covert Actions.

In order to ensure that the NSC's proper role is limited to supervision and guidance, and does not extend to the conduct of special activities, the following guidelines are promulgated:

> In accordance with E.O. 12333, the NSC shall provide review of, guidance for, and direction of the conduct of special activities. The NSC and its staff shall exercise its role with respect to the conduct of special activities in accordance with established executive procedures. The staff of the NSC shall not itself undertake special activities.

The Senior Director of Intelligence Programs is the principal action officer for the NSC with respect to special activities.

THE WHITE HOUSE
WASHINGTON

January 12, 1987

Dear Claiborne:

As a follow-up to our chat and your continued interest in what the role of the NSC should be, I thought you might like to see a memo I just sent to the staff.

Sincerely,

Frank C. Carlucci

The Honorable Claiborne Pell
United States Senate
Washington, D.C. 20510

Enclosure

SAMPLING OF FOREIGN SERVICE VIEWS ON RANSOMING OF HOSTAGES

Post A. "Unanimous support for non-ransom position previously expressed by U.S.G." "We are dismayed by this open invitation to kidnap."

Post B. "AFSA members who have commented on issue of ransoming strongly support Secretary Shultz's statement that it isn't the right thing for governments to trade arms or anything for hostages just because it encourages taking more."

Post C. "This approach has been successful for a long time. We must be resolute. Backing down only encourages more attempts. Most of us have long ago resolved that should we ever be captive, we would not wish to be the person that wrecked a successful policy. If anything we need to be more forceful. A strong arm and big stick is better than a soft hand full of butter." "To ransom hostages only endangers all our lives."

Post D. "Unanimously in favor of AFSA positions."

"We once followed a policy of not one cent for tribute....We all understand the humane consideration that may have led to the arms deal. But even those considerations... cannot ameliorate the damage done by this policy."

Post E. "Overwhelming consensus of members was that the stated and perceived policy of the Administration must be that no ransom in any form ever be made for hostages. To do so would merely make all possible targets for hostage-taking more attractive."

Post F. "The only option open to us is to meet all hostages taken head-on with a complete and irrevocable position of not giving in to their demands."

Post G. "AFSA will be representing us all...in urging the Administration to reestablish the credibility of the American policy of not ransoming hostages."

Post H. "As painful as it is to forego the ransoming and freeing of a hostage...our refusal to ransom will be better for the vast majority of our citizens in the long run."

Post I. "My wife and I jointly declared our personal commitment in case either of us were ever taken hostage to never undermine the policy [of never ransoming hostages]....If our government policy on ransom is not firm, then we wonder if personally and collectively as a service we have been made fools of. Our years of living with terrorism (a policeman living in our house in Colombia, a grenade over the wall in Thailand, tear gas in Mexico, and twenty-four hour police protection in Ecuador) have been years of family stress tempered by what we thought was solidarity with our colleagues and our leaders."

How frequently do American ambassadors and Foreign Service officers take their instructions from the National Security Council or agencies other than the Department of State? Is this ever a good practice?

Are there posts where the NSC or CIA seem to exercise a dominant or unwarranted influence upon the direction or execution of American foreign policy?

American Foreign Service Association

Response to Questions Inserted in Record by Senator Zorinsky

1.) AFSA has no figures which indicate how common it is for American ambassadors and Foreign Service officers to deal directly with the White House. We would guess that such actions are quite rare, given that they go against official government policy.

Although members of the Foreign Service are charged with carrying out presidential orders, the nature of the chain of command precludes any direct contact with the White House. As a rule, presidential orders go through the Secretary of State, and often the Assistant Secretary, before they arrive at the ambassadorial level. The only exception to this rule occurs if the President himself explicitly informs an ambassador to bypass the chain of command.

AFSA cannot condone any practice which stands in violation of the policy stated above.

2.) While it is true that the NSC and the CIA have important foreign policy roles to play within the Executive Branch, AFSA agrees with President Reagan's statement that "the Secretary of State has the responsibility...for the overall policy direction, coordination, and supervision of the United States Government activities overseas." This, we believe, is the role that the Secretary of State should play in the direction and execution of American foreign policy, and AFSA is disturbed by recent indications that this has not been the case.